DISCLAIMER STATEMENT

The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission take no responsibility for the contents of this PHIP, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this PHIP.

Post Hearing Information Pack of

ClouDr Group Limited
智雲健康科技集團*

(Incorporated in the Cayman Islands with limited liability)

(the "**Company**")

WARNING

The publication of this PHIP is required by The Stock Exchange of Hong Kong Limited (the "**Exchange**") and the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

This PHIP is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its joint sponsors, advisers or members of the underwriting syndicate that:

(a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;

(b) the publication of this document or supplemental, revised or replacement pages on the Exchange's website does not give rise to any obligation of the Company, its joint sponsors, advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;

(c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;

(d) the PHIP is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

(e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;

(f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;

(g) neither the Company nor any of its affiliates, advisers or members of the underwriting syndicate is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;

(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

(i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;

(j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and

(k) the application to which this document relates has not been approved for listing and the Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

* *For identification purpose only*

IMPORTANT

If you are in any doubt about any of the contents in this document, you should obtain independent professional advice.

ClouDr Group Limited
智雲健康科技集團*

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] (subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	**:**	**[REDACTED]**

Nominal value	**:**	**US$0.0001 per Share**
[REDACTED]	**:**	**[REDACTED]**

Joint Sponsors, **[REDACTED]**

Morgan Stanley J.P.Morgan

[REDACTED]

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

A copy of this document, having attached thereto the documents specified in "Documents delivered to the Registrar of Companies and available on display" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The **[REDACTED]** is expected to be fixed by agreement between the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and us on or around **[REDACTED]**. If, for any reason, the **[REDACTED]** is not agreed by **[REDACTED]**, the **[REDACTED]** will not proceed and will lapse. The **[REDACTED]** will be no more than **[REDACTED]** per **[REDACTED]** and is currently expected to be no less than **[REDACTED]** per **[REDACTED]** unless otherwise announced.

The [REDACTED] may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. See "Structure of the [REDACTED]" and "How to apply for [REDACTED]" for further details.

The obligations of the **[REDACTED]** under the **[REDACTED]** are subject to termination by the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the **[REDACTED]**. See "**[REDACTED]**" for further details.

Prior to making an **[REDACTED]** decision, prospective **[REDACTED]** should consider carefully all of the information set out in this document, including the risk factors set out in "Risk factors".

The **[REDACTED]** have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be **[REDACTED]** or sold within or to the United States, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The **[REDACTED]** are being **[REDACTED]** and sold (i) solely to QIBs pursuant to an exemption from registration under Rule 144A of the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

* *For identification purpose only*

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE [REDACTED]

This document is issued by us solely in connection with the **[REDACTED]** *and the* **[REDACTED]** *and does not constitute an* **[REDACTED]** *to sell or a solicitation of an* **[REDACTED]** *to buy any security other than the* **[REDACTED]** *offered by this document pursuant to the* **[REDACTED]**. *This document may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstance. No action has been taken to permit a* **[REDACTED]** *of the* **[REDACTED]** *in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document for purposes of a* **[REDACTED]** *and the* **[REDACTED]** *and sale of the* **[REDACTED]** *in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

You should rely only on the information contained in this document to make your **[REDACTED]** *decision. The* **[REDACTED]** *is made solely on the basis of the information contained and the representations made in this document. We have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representations not contained or made in this document must not be relied on by you as having been authorised by us, the Joint Sponsors, the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *any of the* **[REDACTED]**, *any of our or their respective directors, officers, employees, agents or representatives, or any other parties involved in the* **[REDACTED]**.

Page

CONTENTS

CONTENTS

SUMMARY

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.

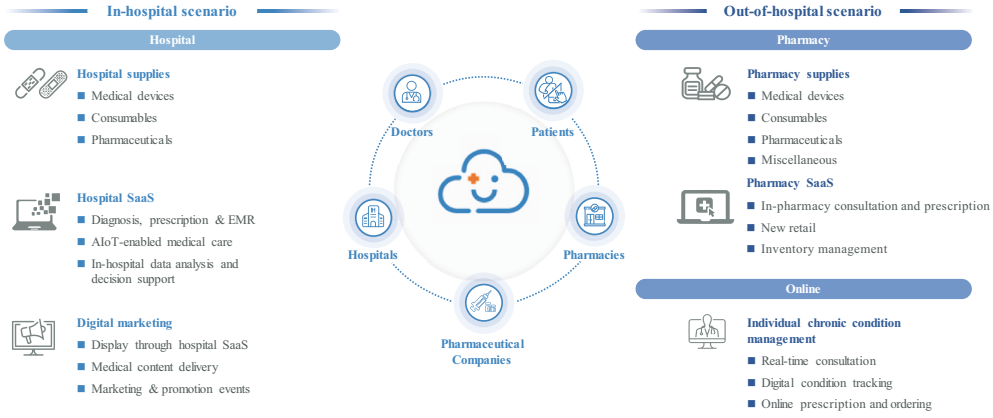
Our Solutions and Revenue Sources

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.

SUMMARY

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

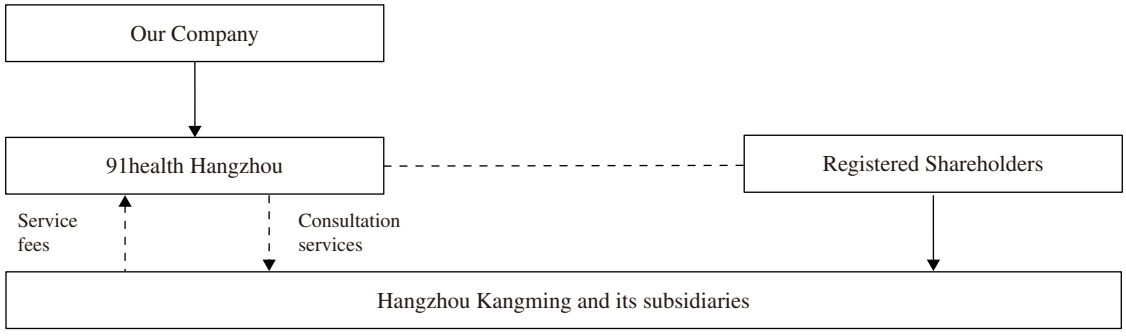
Our operations and the **[REDACTED]** involve certain risks and uncertainties, which are set out in the section headed "Risk factors." You should read that section in its entirety carefully before you decide to **[REDACTED]** in our Shares. Some of the major risks we face relate to:

- 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]**).

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in "Glossary of technical terms".

"91health Hangzhou"	91health Hangzhou Limited* (杭州智雲匯醫科技有限公司), a wholly foreign owned enterprise established in the PRC on December 30, 2020 and a wholly-owned subsidiary of our Company
"91health Shanghai"	91health Shanghai Limited* (上海運臻網絡科技有限公司), a company established in the PRC on November 24, 2015 and a wholly-owned subsidiary of our Company
"Accountants' Report"	the historical financial information of our Company for the Track Record Period, as included in Appendix I
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted by a special resolution passed on June 10, 2022 with effect from the **[REDACTED]**
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Cayman Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

[REDACTED]

[REDACTED]

"China" or "the PRC"	the People's Republic of China, and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
"Chengdu Zhiyun Internet Hospital"	Chengdu Zhiyun Internet Hospital Co., Ltd.* (成都智雲互聯網醫院有限公司), a company incorporated in the PRC on June 18, 2021 and a subsidiary of our Company

"Class I hospitals"	primary hospitals and medical clinics that directly provide the community of a certain population with comprehensive services of medical treatment, prevention, rehabilitation, and health care
"Class II hospitals"	regional hospitals that provide comprehensive medical and health services across multiple communities, as well as undertake certain medical education and scientific research tasks. Such hospitals typically have 100-500 beds
"Class III hospitals"	hospitals that provide high-level specialized medical and health services to several regions, and they are medical centers with comprehensive medical, educational, and scientific research capabilities. Such hospitals typically have more than 500 beds
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company", "our Company", or "the Company"	ClouDr Group Limited (formerly known as 91health Group Limited), an exempted company with limited liability incorporated in the Cayman Islands on August 24, 2015
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entities"	collectively, Hangzhou Kangming and its subsidiaries, Chengdu Zhiyun Internet Hospital and Tianjin Zhiyun, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Contractual Arrangements
"Contractual Arrangement(s)"	the series of contractual arrangements entered into between, among others, 91health Hangzhou, Hangzhou Kangming and its subsidiaries, and the Registered Shareholders, as detailed in "Contractual Arrangements"

"CSRC"	the China Securities Regulatory Commission
"Director(s)"	the director(s) of our Company
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FRC"	the Financial Reporting Council of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
"Frost & Sullivan Report"	the report prepared by Frost & Sullivan
	[REDACTED]
"Governmental Authority"	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organisation, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
	[REDACTED]
"Group", "our Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and the Consolidated Affiliated Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements) from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Hangzhou Kangming"	Hangzhou Kangming Information Technology Co., Ltd.* (杭州康明信息技術有限公司), a company established in the PRC with limited liability on December 11, 2020 and a Consolidated Affiliated Entity

"Hangzhou Kangsheng"	Hangzhou Kangsheng Health Management Consultant Co., Ltd.* (杭州康晟健康管理諮詢有限公司), a company established in the PRC with limited liability on December 9, 2014 and a wholly owned subsidiary of our Company
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$", "HK dollars" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

"Hong Kong Takeovers Code" or "Takeovers Code"	Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC

[REDACTED]

"ICP license"	the value-added telecommunications business operating license for internet information service
"IFRS"	International Financial Reporting Standards, as issued by the International Accounting Standards Board
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules

[REDACTED]

[REDACTED]

"Joint Sponsors"	the Joint Sponsors of the **[REDACTED]** as named in "Directors and parties involved in the **[REDACTED]**"
"Latest Practicable Date"	[June 10, 2022], being the latest practicable date for ascertaining certain information in this document before its publication
"Laws"	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, or rulings of any Governmental Authority (including the Stock Exchange and the SFC) of all relevant jurisdictions

[REDACTED]

"Listing Committee"	the Listing Committee of the Stock Exchange

[REDACTED]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"M&A Rules"	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company conditionally adopted by a special resolution passed on June 10, 2022, with effect from the **[REDACTED]**
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry of the PRC (中華人民共和國資訊產業部))
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部) (formerly known as the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部))
"Mr. Kuang"	Mr. Kuang Ming (匡明), our founder, executive Director, chairman and chief executive officer
"NHC"	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"NHSA"	National Healthcare Security Administration of the PRC (中華人民共和國國家醫療保障局)

[REDACTED]

[REDACTED]

"[REDACTED] Share Award Scheme"	the **[REDACTED]** share award scheme approved and adopted by our Company on June 10, 2022, the principal terms of which are set out in "Statutory and general information — **[REDACTED]** Share Award Scheme" in Appendix IV
"PRC Legal Adviser"	Tian Yuan Law Firm, our legal adviser on PRC laws
"Preferred Shares"	the series A-1 preferred shares, series A-2 preferred shares, series B preferred shares, series B-1 preferred shares, series C-1 preferred shares, series C-2 preferred shares, series C-3-1 preferred shares, series C-3-2 preferred shares, series D preferred shares, series D+ preferred shares, series E preferred shares, and series E+ preferred shares in the share capital of our Company, currently of nominal value US$0.0001 each

"[REDACTED] Equity Incentive Scheme"	the **[REDACTED]** equity incentive scheme approved and adopted by our Company on August 24, 2015, the principal terms of which are set out in "Statutory and general information — **[REDACTED]** Equity Incentive Scheme" in Appendix IV
"[REDACTED] Investment(s)"	the investment(s) in our Company undertaken by the **[REDACTED]** Investors prior to this **[REDACTED]**, the details of which are set out in "History, reorganisation, and corporate structure"
"[REDACTED] Investor(s)"	the investors in our Company prior to our **[REDACTED]**, as set out in "History, reorganisation, and corporate structure"

[REDACTED]

"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Registered Shareholders"	the registered shareholders of the Hangzhou Kangming from time to time; the current registered shareholders are identified in "Contractual Arrangements"
"registered users"	user accounts that have registered on our individual chronic condition management platform as patients
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the corporate restructuring of the Group in preparation for the **[REDACTED]**, as described in "History, reorganisation, and corporate structure — Reorganisation"
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Rule 144A"	Rule 144A under the U.S. Securities Act

"SAFE"	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SFC"	Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary shares in the share capital of our Company, currently of nominal value US$0.0001 each
"Shareholder(s)"	holder(s) of our Share(s)
"Share Incentive Plans"	Collectively, the **[REDACTED]** Equity Incentive Scheme and the **[REDACTED]** Share Award Scheme
"staff costs"	salaries, benefits, welfare and other related costs and expenses, including share-based compensation, paid to or for our employees, doctors practicing on our platform and our flexible staff, as applicable
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance

"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Tianjin Zhiyun"	Tianjin Zhiyun Comprehensive Clinic Co., Ltd.* (天津智雲綜合門診有限公司), a company established in the PRC with limited liability on March 26, 2021, and a Consolidated Affiliated Entity
"Track Record Period"	the years ended December 31, 2019, 2020 and 2021
"users"	users who have accessed our individual chronic condition management platform or used our pharmacy walk-in service, tracked by mobile phone numbers
"U.S.", "US" or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdictions
"U.S. dollars", "US dollars" or "US$"	United States dollars, the lawful currency of the United States
"U.S. SEC"	the Securities and Exchange Commission of the United States
"U.S. Securities Act"	United States Securities Act of 1933 and the rules and regulations promulgated thereunder

[REDACTED]

"VAT"	value-added tax
"VIE"	variable interest entity
"Yinbang Insurance Brokerage"	Yinbang Insurance Brokerage Co., Ltd.* (銀邦保險經紀有限公司), a company established in the PRC with limited liability on September 5, 2011 and a Consolidated Affiliated Entity

"Yinchuan Zhiyun Internet Hospital"	Yinchuan Zhiyun Internet Hospital Co., Ltd.* (銀川智雲互聯網醫院有限公司), a company established in the PRC with limited liability on July 12, 2017 and a Consolidated Affiliated Entity
"%"	per cent

* *For identification purpose only*

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the **[REDACTED]** assume that the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme.

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions, and may not be comparable to similarly terms adopted by other companies.

"AI"	artificial intelligence, the science of researching and developing theories, methods, technologies, and application system that simulate and extend human intelligence
"AIoT"	artificial intelligence of things, the combination of artificial intelligence technologies with the Internet of Things (IoT) infrastructure to achieve more efficient IoT operations, improve human-machine interactions and enhance data management and analytics
"big data"	large and diverse data sets able to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information assets under new processing model for greater decision-making power, insight and processing optimization capabilities
"CAGR"	compound annual growth rate
"chronic conditions"	defined broadly as conditions that last for a year or more and require ongoing medical attention or limit activities of daily living or both, including cardiovascular diseases, metabolic diseases, psychiatric diseases, renal diseases, respiratory diseases, gastroenterological diseases, and others
"direct socioeconomic burden"	the direct socioeconomic burden of a condition is the total cost directly related to the prevention and treatment of the condition, including various expenses directly spent by individuals, families and society in the process of disease and injury prevention, diagnosis and treatment, and rehabilitation
"EMR"	electronic medical records
"FVTPL"	fair value through profit or loss
"HIS"	hospital information system, an element of health informatics that focuses mainly on the administrative needs of hospitals

GLOSSARY OF TECHNICAL TERMS

"IP"	intellectual property
"SaaS"	software as a service, a software licensing and delivery model in which software is licensed on a subscription basis
"SKU"	stock keeping unit

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as 'will', 'expect', 'anticipate', 'estimate', 'believe', 'going forward', 'ought to', 'may', 'seek', 'should', 'intend', 'plan', 'projection', 'could', 'vision', 'goals', 'aim', 'aspire', 'objective', 'target', 'schedules', and 'outlook') are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to control costs and expenses;
- our ability to identify and satisfy customer and user demands and preferences;
- our ability to maintain good relationships with business partners;
- the actions and developments of our competitors;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate; and
- all other risks and uncertainties described in "Risk factors".

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution **[REDACTED]** against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on

which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

An **[REDACTED]** *in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an* **[REDACTED]** *in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the* **[REDACTED]** *of our Shares could decline, and you may lose all or part of your* **[REDACTED]**.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section titled "Forward-looking Statements" of this document.

Risks Related to Our Business and Industry

Our past growth may not be indicative of our future growth, and we may not be able to sustain our revenue growth rate in the future.

We were founded in 2014. As a fast-growing company with a relatively short operating history, our ability to forecast our future results of operations is limited and subject to a number of uncertainties, including our ability to plan for and model future growth and our revenue mix. 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. However, our revenue growth in recent periods may not be indicative of our future performance.

We believe that the growth of our revenue depends on a number of factors, including our ability to:

- innovate and adapt our products and services to meet evolving needs of current and potential customers and users;
- create and roll out new products and services;
- continually improve our products and services based on the feedback of our customers and users;
- develop or implement monetization strategies with respect to our solutions;

- adopt new technologies or adapt our information infrastructure to customers' and users' changing requirements or emerging industry standards;
- introduce our products and services to customers in new geographical markets;
- attract, train and retain talent;
- attract and retain customers and users, and increase our brand awareness and recognition among existing and potential customers and users through our sales and marketing efforts;
- create new monetization opportunities with stakeholders in the healthcare industry;
- maintain and expand a network of hospitals, pharmacies, pharmaceutical and medical device companies, medical professionals, distributors and suppliers;
- maintain our supply chain advantages; and
- comply with relevant laws, regulations and policies, which may change from time to time.

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 have incurred net losses on an annual basis since our inception and the amount of our net losses has been growing during the Track Record Period. We incurred net losses of RMB565.4 million, RMB2,896.9 million and RMB4,153.2 million in 2019, 2020 and 2021, respectively. To date, we have financed our operations principally from capital contributions from shareholders, equity financing, revenue from sales of our products and services, and debt financing. Our cash flow from operations was negative for the years ended December 31, 2019, 2020 and 2021. We may not generate positive cash flow from operations or profitability in any given period, and our limited operating history may make it difficult for you to evaluate our current business and our future prospects.

We expect our costs will increase substantially in the foreseeable future and our losses will continue as we expect to invest significant additional funds towards growing our business and operating as a **[REDACTED]** company and as we continue to invest in increasing our customer base, developing new products and services, strengthening our supply chain advantages, expanding our marketing channels and operations and hiring additional employees. These efforts may prove more expensive than we currently anticipate. If we do not achieve the benefits anticipated from

these efforts, or if the realization of benefits is delayed, they may not result in increased revenue sufficient to offset the higher expenses or growth in our business. If our growth rate were to decline significantly or become negative, it could adversely affect our financial condition and results of operations. If we are not able to achieve or maintain positive cash flow in the long term, we may require additional financing, which may not be available on favorable terms or at all and/or which would be dilutive to our shareholders. If we are unable to successfully address these risks and challenges as we encounter them, our business, results of operations, and financial condition would be adversely affected.

In addition, we have experienced and may continue to experience shifts in our revenue mix, i.e., relative revenue contributions from different businesses. Our overall gross margin and ability to achieve profitability and grow profits may be affected by such shifts in our revenue mix due to the different margins of businesses through which we generate revenues.

Failure to monetize our solutions may materially and adversely affect our business, financial condition and results of operations.

We currently offer in-hospital solution, pharmacy solution and individual chronic condition management solution and others. We cannot guarantee that we will succeed in monetizing our solutions or that we will generate sustainable revenues or profit.

Our successful monetization substantially depends on the market acceptance of our solutions. The healthcare industry is historically slow in adapting to new trends and our solutions may fail to gain long-term market acceptance. Moreover, we may fail to demonstrate the benefit of our solutions to participants in the healthcare industry, as a result of which our solutions may be viewed as less intuitive, efficient or easy to use than traditional methods by participants in the healthcare industry.

For example, our in-hospital solution innovates the traditional approach of hospital management through a digitalized management and analytics system. Hospitals may view this new way of managing their daily operations to be not as easy to use as the traditional manual approach, and thus not accept our in-hospital solution. Similarly, patients and doctors may also believe that our individual chronic condition management solution, which allows patients with chronic conditions to be cared for remotely through mobile applications, is less reliable than traditional methods or difficult to use, in which case they may choose not to use our solution. Our potential pharmacy customers may also see our pharmacy solution as less cost-effective or difficult to use.

We face a variety of other risks relating to monetizing our solutions, including:

- we may fail to retain and expand our base of end customers;
- we may fail to properly price our products and services;
- our monetization strategies may be limited by regulations or government policies;
- we may fail to develop or implement new monetization strategies with respect to our solutions;
- our solutions may fail to compete effectively with the competing solutions and services introduced by our competitors; and
- we may fail to satisfy the expectations of the quality or reliability of our end customers and users.

If for any reason we fail to effectively monetize our solutions, we may not be able to maintain or increase our revenue or achieve or sustain profitability, and our financial condition and prospects will be materially and adversely affected.

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.

Due to the complex nature of our business, we are subject to extensive and evolving legal and regulatory requirements applicable to multiple industries in the PRC. These industries primarily include the internet, healthcare, internet healthcare, and pharmaceutical and chronic condition product retail industries. Various regulatory authorities of the PRC government are empowered to promulgate and implement regulations governing broad aspects of these industries. Any violation of the relevant laws, rules and regulations may result in harsh penalties and, under certain circumstances, lead to criminal prosecution.

The regulations of China's internet industry, its internet healthcare sector, and pharmaceutical and healthcare product retail industries are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. As a result, under certain circumstances, it may be difficult to determine what actions or omissions would be deemed to be in violation of applicable laws and regulations. These uncertainties entail risks that may materially and adversely affect our business prospects. Due to the uncertainty and complexity of the regulatory environment, we cannot assure you that future laws and regulations will not render our operations non-compliant or that we will always be in full compliance with applicable laws and regulations. Compliance with

future laws and regulations may require us to change our business models and practices; the cost of these changes could be significant. These additional monetary expenditures may increase future overhead, which may, in turn, have a material adverse effect on our business, financial condition and results of operations. Additionally, our introduction of new products and solutions may require us to comply with additional, yet undetermined, laws and regulations. Our ability to do so is also largely uncertain.

For example, sales of pharmaceutical and chronic condition products in China are subject to extensive and evolving government regulation and supervision as well as monitoring by various government authorities. Certain laws, rules and regulations may affect the pricing, demand and sales of pharmaceutical and chronic condition products, such as those relating to procurement, prescription and dispensing of drugs by hospitals and other medical institutions, online sales, retail pharmacy, government funding for private healthcare and medical services, and the inclusion of products in the drugs catalogs for national basic medical insurance, on-the-job injury insurance and maternity insurance jointly promulgated by the National Healthcare Security Administration and the Ministry of Human Resources and Social Security, or the MOHRSS. We may fail to comply with new laws and regulations in this area, and any unfavorable regulatory changes in these industries may also increase our compliance burden and materially and adversely affect our business, profitability and prospects.

Internet hospital services, including our internet-based consultation and prescription services, are also subject to governmental supervision and regulation relating to both general medical institutions and online hospitals. In particular, according to the relevant laws and regulations, internet-based consultation and prescription services may only provide re-diagnoses service after confirming that the patients have been diagnosed with one or more types of such common or chronic diseases in physical medical institutions, and medical institutions including internet hospitals must carry out diagnosis and treatment activities according to the approved and registered medical subjects. On October 26, 2021, the Bureau of Medical Administration of National Health Commission published the Rules on the Regulation of Online Medical Consultation (Draft for Comments) (《互聯網診療監管細則(徵求意見稿)》), or the Draft Rules, which provide that medical institutions must authenticate the identities of physicians engaged in providing online medical treatment to ensure the legitimacy of their qualifications before practicing on an online platform, and that other personnel or AI software may not impersonate or replace those authenticated physicians. In addition, patients must provide medical records with clear diagnostic information and physicians must determine whether a patient meets the conditions for re-examination and collect documentation or electronic evidence proving that the patient has been previously diagnosed. Since the Draft Rules have not been adopted, it remains uncertain when the final rules will be released and implemented, what the final rules will be, and whether the final rules or other related regulations will have a material impact on our operations and financial performance. Therefore, it remains uncertain whether our online hospital services,

including our internet-based consultation and prescription services, are and will be in full compliance with the relevant laws and regulations, which are evolving and subject to changes. In addition, we cannot assure you that our doctors and the patients will follow the relevant requirements in practice. Any failure to comply with such laws and regulations or any misconduct or even fraud of our doctors and patients could result in administrative penalties against us which could materially and adversely affects our business, results of operations, financial condition and prospects.

We conduct our internet-based consultation and prescription services through our internet hospitals supported by offline medial institutions. Hainan Zhiyun Telemedicine Center, our self-owned offline medical institution, had obtained its Medical Institution Practice License in accordance with the then effective guidance issued by Hainan Health Commission in 2019, or the 2019 Guidance. In May 2020, a new guidance, or the 2020 Guidance, was issued by the Hainan Health Commission, putting forward certain new requirements and standards. In the future, there may be additional regulations that require our self-owned offline medical institution to make adjustments in its business to comply with the new licensing requirements. We cannot guarantee that we will be able to successfully complete these adjustments in time and we may incur additional expenses in making such adjustments. If we fail to complete such adjustments, our reputation may be to some extent harmed. Moreover, our self-owned offline medical institution cooperates with two partners in terms of certain functional rooms. If either or both of these partners terminate their cooperation with us, we will need to find other qualified medical institutions as replacements to satisfy the licensing requirements under the 2020 Guidance for functional rooms. If we fail to find such qualified medical institutions and form collaboration relationships in a timely manner, or at all, we may not be able to pass the next applicable annual verification process, which may, in turn, affect the validity of the Medical Institution Practice License held by our self-owned offline medical institution. In addition to the self-owned offline medical institution, our internet hospitals are also supported by two third-party offline medical institutions. We cannot guarantee that these two third-party institutions will be able to maintain valid Medical Institution Practice Licenses or that they will continue their collaboration with us. In the event that such licenses held by them are invalidated or revoked or that either or both of them terminate their collaboration with us for any reason, we may be required to search for other offline medical institutions to collaborate with to support our internet hospitals or to reapply for the Medical Institution Practice Licenses for our internet hospitals. Such event may temporarily affect our online prescription and consultation services, lead to extra costs and also negatively affect our reputation. We also cannot guarantee that we will be able to find such replacements in time, or at all.

Furthermore, uncertainties relating to the evolving licensing practices give rise to the risk that some of our permits, licenses or operations may be subject to challenge, which may be disruptive to our business and operations, and subject us to sanctions, penalties, business shut-down,

requirement for additional capital, compromise the enforceability of relevant contractual arrangements, or have other adverse effects on us. For example, (i) failure to maintain the ICP license may subject us to penalties between three times and five times of the illegal income and the shutting down of the relevant business; (ii) failure to maintain a Qualification Certificate for Internet Drug Information Services or applying it beyond its effective term may subject us to the shutting down of the relevant business; and (iii) failure to complete the filing for record of Third-party Platform for Online Trading Services for Medical Devices with competent government authority may subject us to a penalty up to RMB30,000.

Our internet information services are conducted by, and ICP license is held by, Hangzhou Kangming. See "Contractual Arrangements — PRC Laws Restricting Foreign Ownership of the Relevant Businesses — Value-added telecommunication services." 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, 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. In the event that we need or decide to reorganize our corporate structure in the future to comply with applicable laws, regulations and specific requirements or guidance, we may incur additional time, expenses and management attention to go through that process.

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.

In December 2016, as one of the measures of the PRC healthcare system reform, the State Council issued the Notice of Publishing Opinions on Implementing Two-invoice System in Drug Procurement Among Public Medical Institutions (For Trial Implementation) (《印發關於在公立醫療機構藥品採購中推行"兩票制"的實施意見(試行)的通知》). See "Regulatory Overview — Regulations Relating to Drugs and Medical Devices — Pharmaceutical Operation." Currently, the "two-invoice system" is strictly implemented and followed in the sales of drugs to public medical institutions, while its application in the sales of medical devices and other medical supplies differs among provinces in China, due to the lack of a clear of these regulations requirement on such application at the national level. In addition, a national centralized procurement process using a volume-based procurement (VBP) approach has been adopted and currently has been implemented for sales of drugs and high-value medical consumables to public medical institutions.

In 2020 and 2021, we sold certain SKUs of medical consumables in two provinces that were regulated under the "two-invoice system" at a provincial level. For details, see "Business — Risk Management and Internal Control — Two-invoice system and national centralized procurement using a VBP approach." If we were found to be in violation of current or future regulations on the two-invoice system in relation to such sales, the potential legal consequences are uncertain, since in these two provinces, there are currently no specific legal consequences or penalties stipulated under the relevant provincial regulations, and it is uncertain what penalties, if any, would be assessed for violations of the local "two-invoice system" regulations.

Going forward, we cannot assure you that future laws and regulations, particularly the potential expansion of the scope of products covered by the two-invoice system the national centralized procurement using a VBP approach, would not render our business non-compliant, or that as we continue to grow and expand our business, we would always be in full compliance with the applicable laws and regulations relating thereto. For example, if the two-invoice system and/or the national centralized procurement using a VBP approach becomes widely adopted and implemented, including but not limited to the potential expansion of lists of medical devices and consumables regulated by certain provincial authorities under the two-invoice system and the potential expansion of the scope covered by the national centralized procurement using a VBP approach, our sales of the relevant products may be affected, and our revenue and profitability may suffer as a result. In addition, considering the current two-invoice system and the national centralized procurement using a VBP approach that regulate the sale of drugs to public medical institutions, we do not intend to sell drugs, directly or indirectly, to public medical institutions, and as such, our distributors cannot sell drugs procured from us to public medical institutions. Therefore, the implementation of the two-invoice system and the national centralized procurement using a VBP approach may cause us to lose business opportunities and limit the prospect and potential of our business. Furthermore, we cannot guarantee that our distributors will remain in full compliance with the two-invoice system and the national centralized procurement using a VBP approach as we have limited control over our distributors and are not able to direct their dealings with sub-distributors or end-costumers. Any of our distributor's non-compliance with the two-invoice system and/or the national centralized procurement using a VBP approach may adversely affect our reputation, divert the attention of our management from our operations and adversely affect our business and results of operations.

Maintaining industry participants' trust in our platform is critical to our success, and any failure to do so could severely damage our reputation and brand. Any damage to the reputation and recognition of our brand names, including negative publicity against us or our industry, or our directors, officers or employees, may materially and adversely affect our business operations and prospects.

We operate a comprehensive platform for various participants in China's healthcare industry for people with chronic conditions, offering solutions and products for hospitals, pharmacies, pharmaceutical and medical device companies, medical professionals, insurance companies and corporate employers as well as individual users. We have been building our brand name and reputation for our platform as we believe that our ability to maintain industry participants' trust in our products and solutions is critical to our success in the rapidly evolving market we are in. Our ability to do so is primarily affected by the following factors:

- our ability to maintain the quality of products and solutions provided on our platform;
- the breadth of our offerings of products and solutions and their efficacy in addressing our customers' and users' needs and meeting their expectations;
- the reliability, security and functionality of our products and solutions;
- our ability to adopt new technologies or adapt our infrastructure to users' and customers' changing requirements or emerging industry standards;
- our ability to increase brand awareness among existing and potential customers through various marketing and promotional activities;
- our ability to maintain relationship with distributors, suppliers and medical professionals; and
- our ability to comply with evolving regulatory requirements.

The healthcare industry is particularly reliant on consumer trust, and we depend on our reputation and brand name in many aspects of our business operations. Any loss of trust in our platform could harm the value of our brand and reputation, and result in participants ceasing to utilize, or reducing the use of, our products and solutions, which could materially and adversely affect our business, financial condition and results of operations. However, we cannot assure you that we will be able to maintain a positive reputation or brand name for all of our products. Our reputation and brand name may be materially and adversely affected by a number of factors, many of which are beyond our control, including:

- adverse publicity associated with our company and the participants on our platform, or our products and solutions;

- negative developments in, negative perception of, or negative publicity about, any industry we operate in, including sales of prescription drugs or our internet-based consultation and prescription services;

- lawsuits and regulatory investigations against us or otherwise relating to our solutions or industry;

- adverse associations with the third party products we sell or which are sold on our platform, including with respect to their efficacy or side effects;

- improper or illegal conduct by our employees, customers or other partners; and

- improper services provided by third parties, such as distribution services provided by our distributors, sales and marketing services provided by our flexible staff, medical services provided by medical professionals and delivery services provided by logistic companies.

In addition, our online consultation and prescription services focus on chronic condition management, which requires long-term treatment, re-filling of prescriptions and condition management. As our internet hospitals cannot conduct physical diagnosis and in-person treatment due to the internet-based nature of our operations, our patients may need to go to offline hospitals periodically. Although we believe our online consultation and prescription services provide patients with convenient, efficient and comprehensive online consultation and prescription filling experience as an "anytime, anywhere" healthcare management platform and can address long-term medical needs of chronic condition patients, this inherent feature as an online medical service provider may materially and adversely affect our reputation as an effective medical service provider, which could materially and adversely affect our financial performance.

We may also face challenges from others seeking to profit from, or defame, our brand. Furthermore, there can be no assurance that our brand promotion efforts would be effective. Such efforts may be expensive, which may, in turn, materially and adversely affect our financial condition and results of operations.

Any of the foregoing may cause our products and solutions to be perceived unfavorably by customers and users, or may result in loss of potential and existing customers or business partners for our platform and, in turn, have a material adverse effect on our business, financial condition, results of operations and prospects.

Pharmaceuticals, consumables and medical devices are subject to and will continue to be subject to price restrictions, price competition and regulations in China, which could adversely affect our profitability and results of operations.

Historically, pharmaceuticals sold in hospitals in China were subject to government price controls in the form of fixed retail prices or retail price ceilings and periodic downward adjustments to these prices imposed by the National Development and Reform Commission, or the NDRC, and other authorities. Pursuant to the Notice Regarding the Opinion on Facilitating the Pharmaceutical Pricing Reform jointly issued by the NDRC and other PRC government agencies in May 2015, the price ceilings imposed by the PRC government on most pharmaceuticals other than

narcotic and Class I psychotropic drugs were lifted since June 1, 2015. However, prior to the lifting of government price controls on drugs, the prices of prescription drugs in China had been determined through a centralized tender process, and the prices of OTC drugs in China had been determined by arm's-length, commercial negotiation and market factors such as brand recognition, market competition and consumer demand. There is no assurance that the application of the current more market-based pricing system will result in higher product pricing compared to the government-controlled pricing, as competition from other retailers, particularly those offering the same products but with lower prices, may force us to lower our sales prices to the previous government-controlled price levels. Consequently, our profitability may suffer and our business, financial condition and results of operations may also be materially and adversely affected.

Moreover, China's national medical insurance program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program issued by the State Council in 1998, under which all employers in urban cities are required to enroll their employees in the country's basic medical insurance program. Program participants are eligible for full or partial reimbursement of the cost of medicines included in the National Reimbursement Drug List, or the NRDL. Factors that affect whether a pharmaceutical product can be included in the NRDL include whether the product is reasonably priced. In addition, the State Council and other relevant authorities issued a series of policies on deepening the reform of medical and healthcare system in 2019. According to the Notice on Issuance of the Pilot Plan regarding the Organization of Centralized Procurement and Use of Drugs by the State and the Implementation Opinions on Region Expansion of the Organization of Centralized Procurement and Use of Drugs by the State, the Chinese government planned to organize centralized procurement and use of certain types of pilot drugs to lower drug prices, reduce the burden on patients of drug costs, and lower the transaction costs of pharmaceutical enterprises. The Guidance on Improving "Internet +" Medical Service Price and Medical Insurance Payment Policies issued by the National Healthcare Security Administration on August 17, 2019, proposed to improve project management, optimize the pricing mechanism and clarify the payment policy of "Internet +" medical services.

Medical devices and consumables are also subject to price restrictions under the medical insurance program as well as centralized procurement. According to the Notice of the General Office of the State Council on Promulgation of the Reform Plan for the Control of High-value Medical Consumables, the implementation of medical insurance access and dynamic catalogue adjustments will be introduced and the formulation policies on payment with medical insurance funds is encouraged. Moreover, the Circular of the Ministry of Health on Further Strengthening the Centralized Procurement Management of Medical Devices, promulgated on June 21, 2007, provides relevant principles and approaches on strengthening the application of the medical device centralized procurement system. The Notice of the General Office of the State Council on Promulgation of the Reform Plan for the Control of High-value Medical Consumables also

stipulates that all public medical institutions must go through public biddings and a transparent procurement process on the procurement platforms when procuring high-value medical consumables.

Although such policies may lower the transaction costs of the pharmaceutical enterprises and increase the amount of pharmaceuticals, consumables and medical devices purchased, they may also reduce the sales prices of such products and increase market competition within the relevant industries, which may materially and adversely affect our business, results of operations and financial condition. There are still uncertainties relating to the actual implementation of such policies.

If we are unable to continue to expand our hospital and pharmacy networks, our business and future growth may be adversely affected.

Our growth depends substantially on our ability to continue to expand our networks of hospitals and pharmacies, which play an instrumental role across our solutions and are key to our revenue generation and growth. We have managed to expand our hospital and pharmacy networks during the Track Record Period, which contributed significantly to our revenue growth during that period. For example, the number of hospitals that installed our hospital SaaS grew from 377 as of December 31, 2019 to 1,705 as of December 31, 2020 and further to 2,369 as of December 31, 2021, and the number of pharmacy stores that installed our pharmacy SaaS also increased from 3,002 as of December 31, 2019 to 111,413 as of December 31, 2020 and further to 172,000 as of December 31, 2021. See "Financial Information — Year-to-Year Comparison of Results of Operations."

Our ability to continue to expand our networks of hospitals and pharmacies depends on a number of factors, including our ability to offer high-quality products and solutions at competitive prices, our ability to adapt our solutions to hospitals' and pharmacies' changing needs, the performance of our products and solutions, our ability to maintain comparative strength to our competitors and the effectiveness of our marketing and sales efforts. If we fail to perform well in any of these areas, we may not be able to maintain or continue to expand our hospital and pharmacy networks, or do so as effectively as we have been able to. As a result, our business operations will be affected, and we may not be able to grow our revenues as quickly as we anticipate, or at all.

We depend on third-party suppliers and distributors, and our revenue and operating earnings could suffer if we fail to manage these relationships properly.

Consistent with industry practice, we often rely on distributors for the distribution of our hospital SaaS and sales of hospital supplies to hospital end customers. We also work with distributors in the sales of pharmacy supplies to some pharmacy end customers. In 2019, 2020 and 2021, revenues generated from distributors constituted approximately 61.2%, 66.0% and 58.8% of our total revenue, respectively. We typically do not enter into long-term arrangements with our distributors. However, our distributors are all third parties over whom we have limited control. Our distributors may not distribute our products in the manner we contemplate, which may impair the effectiveness of our distribution network. Since our distributors generally do not sell our products on an exclusive basis, our products also compete with similar products from our competitors sold by our distributors. If these distributors choose to decrease their supply from us, decrease their procurement amount or procurement price, sell products that compete with ours, or to not partner with us at all, our business and results of operations may be adversely affected.

We source our products from our suppliers. In 2019, 2020 and 2021, purchases from our five largest suppliers in aggregate accounted for 36.3%, 21.2% and 25.1% of our total purchases, respectively, and purchases from our largest supplier accounted for 25.5%, 7.8% and 9.5% of our total purchases, respectively. We typically do not enter into long-term arrangements with our suppliers, and most of our current agreements with our suppliers do not prohibit them from working with our competitors. Our competitors may be more effective in providing incentives to our suppliers to prioritize their orders in case of short supply. If these suppliers choose not to partner with us, our business and results of operations may be harmed. We cannot assure you that we would be able to find replacement suppliers on commercially reasonable terms or a timely basis, or at all. In addition, some of our agreements with suppliers and pharmaceutical companies who use our digital marketing services include minimum purchase commitments. If we cannot achieve the commitment in these agreements, we cannot receive our commission in full amount or at all, or our suppliers or pharmaceutical companies may choose to adjust the terms of the agreements or terminate cooperation with us. Some of these suppliers are of material importance to our business and we may not be able to replace them on terms acceptable to us or at all.

We also incur significant upfront costs to build our relationships with suppliers and distributors and rely on the sale of products to generate revenues. If we fail to effectively maintain these relationships, our business and results of operations may be adversely affected.

We are subject to risks associated with our relationship with pharmaceutical and medical device companies in relation to our product sales and digital marketing services.

Through our partnerships with pharmaceutical and medical device companies, we have access to a variety of medical products at competitive prices. Sales of medical devices, consumables, pharmaceuticals and miscellaneous accounted for 73.3% and 68.8% of our total revenues in 2020 and 2021, respectively. Additionally, our digital marketing services to pharmaceutical companies are a fast-growing and increasingly important component of our overall business, contributing to 17.8% and 22.9% of our total revenues in 2020 and 2021, respectively. The number of transacting pharmaceutical companies increased from 5 in 2019 to 13 in 2020 and further to 15 in 2021. Our results of operations and prospects are thus significantly dependent on our relationship and continued cooperation with pharmaceutical and medical device companies. We cannot assure you that we will be able to maintain a good relationship with pharmaceutical and medical device companies or maintain our cooperation with them on terms acceptable to us. If we lose any of our current pharmaceutical and medical device company partners for any reason, we cannot guarantee that we will be able to find alternative partners on terms acceptable to us, or at all. Furthermore, we usually enter into exclusive contracts with pharmaceutical companies to conduct digital marketing services in a specific region for a specific SKU and we are the exclusive distributor of certain products in certain regions. We cannot assure you that our partners will not terminate such exclusive relationship with us and divert part or all of their business to our competitors. In the event that we fail to maintain our relationship and cooperation with pharmaceutical and medical device companies or lose exclusivity with certain partners, our results of operations, financial condition and prospects may be materially adversely affected.

We may fail to attract or retain sufficient users or medical professionals for our individual chronic condition management platform.

We have built and are continuing to grow a broad individual user base. The number of registered users increased from approximately 8.4 million as of December 31, 2019 to approximately 17.1 million as of December 31, 2020 and further to approximately 23.8 million as of December 31, 2021. Our ability to acquire and retain sufficient users for our individual chronic condition management platform primarily depends on the overall experience we provide to our users as well as the actual or perceived effectiveness of our services. In order to attract and retain users for our individual chronic condition management solution and others, we must continue to build our brand and reputation, as well as effectively market and precisely target our solution to prospective users. To retain and engage our user base, we must provide personalized, superior user experience, offer quality services covering a wide range of user demands and cultivate users' stickiness to our platform. However, we cannot assure you that our users will consider their experience satisfactory or our services effective. In addition, some users may encounter difficulties in navigating our platform or experience technical difficulties.

We also need to attract and retain sufficient medical professionals to our platform for our online healthcare services. As of December 31, 2021, we had over 87,000 medical professionals on our platform providing online healthcare services. We cannot assure you that these medical professionals will stay on our platform or that we will be able to attract more medical professionals to our platform. For example, as doctors have responsibilities at the hospitals where

they work, they may be unwilling or unable to set aside additional hours from their schedule to participate in our online healthcare services. Furthermore, they may not share our vision about online healthcare services and may prefer to focus on their traditional practices. Furthermore, our competitors may offer greater subsidies or compensation to attract our medical professionals to their platforms, and those medical professionals may not stay at our platform or their engagement in our platform may decrease. If we fail to attract or retain sufficient number of medical professionals, our medical services may not further develop and we may not be able to provide satisfactory services or user experience.

If we fail to address any of the foregoing or other similar challenges, we may be unable to attract new users and existing users may become dissatisfied with our online healthcare services and discontinue their engagement with us. As a result, our business, results of operations and financial condition could be materially and adversely affected.

If we are unable to compete effectively, our business, financial conditions and results of operations may be materially and adversely affected.

The chronic condition management market in China is highly competitive. We face intense competition from both established players and new entrants to the market. See "Industry Overview" and "Business — Competition" for more details.

Some of our competitors may have better brand recognition, larger scale of operations, longer operating histories, more implementation experience, larger user or customer base and greater financial, technical and marketing resource than we do. Some of our competitors in the industry have recently undergone market consolidation, which may put us at a disadvantage in terms of size, brand recognition, user or customer base, database and bargaining power. Moreover, new competitors with better brand recognition, financial and technical resources may enter market or further expand into the market and compete with us.

Moreover, our growth partly depends on our advantage in technologies for chronic condition management and the SaaS products we provide to hospitals and pharmacies. As our industry is relatively new, new technology breakthroughs may adversely affect our competitive edge and hence our business, financials and results of operations. If we fail to offer effective products and solutions and keep creating values for participants in the chronic condition management market, our business, financial condition and results of operations may be materially and adversely affected.

We face risks related to COVID-19 and other pandemics, natural disasters, wars, terrorist activities and similar events, which could significantly disrupt our operations.

Since late January 2020, the outbreak of a novel strain of coronavirus, later named COVID-19, has affected China and other parts of the world. In order to contain the spread of the coronavirus, the Chinese government imposed widespread lockdowns, closure of workplaces and restrictions on mobility and travel to contain the spread of the virus restrictive visit measures in venues such as hospitals. The COVID-19 pandemic has also resulted in temporary closures of many corporate offices, manufacturing facilities and factories across China. Many of the quarantine measures within China have since been relaxed. However, relaxation of restrictions on economic and social activities may lead to new cases which may lead to re-imposed restrictions. China has experienced upticks in cases that have prompted selective restrictions in affected regions. For example, in the summer of 2021, there was an uptick in cases in Nanjing, Jiangsu Province, attributed to the highly contagious Delta variant. The outbreak in Nanjing spread to many other provinces and cities in China. Certain travel restrictions and other limitations were imposed in various places in response to these new cases. In September 2021, there was another outbreak in Fujian province, which led to the imposition of travel curbs and other restrictive measures by the local governments.

During the early stage outbreak of COVID-19, primarily due to the restrictions on economic and social activities imposed by the Chinese government, restricted access to hospitals, and the economic uncertainties caused by the COVID-19 outbreak, we saw a decrease in demand for certain medical products and services from hospital, pharmacy and individual end customers and delays in the installation of our SaaS products by certain hospitals and pharmacies. As the situation in China eased, we have resumed normal operations and have seen an increase in demand for our solutions and a bounce-back in demand for our medical devices, consumables and pharmaceuticals. However, since early 2021, the installation of our hospital SaaS has been affected due to social distancing and other precautions taken by many hospitals.

While vaccines for COVID-19 have been developed and deployed, there is no guarantee that any such vaccine will be effective as expected, or will be made available and accepted on a significant scale and in a timely manner. Furthermore, certain variants such as the Delta variant have proven to be more severe or more resistant to vaccines. As a result, the global spread of COVID-19 pandemic in a significant number of countries around the world has significantly intensified, and the duration and extent of the impact of COVID-19 outbreak cannot be reasonably estimated at this time. The extent to which the COVID-19 pandemic and efforts to control it may affect our results of operations, financial condition and cash flow will depend on the future developments of the outbreak, which are highly uncertain and cannot be predicted.

In addition to the impact of COVID-19 as described above, our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of other widespread health epidemics, such as swine flu, avian influenza, severe acute respiratory syndrome, Ebola, or Zika or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic illness or other adverse public health developments in the regions we operate in could materially disrupt our business and operations. Such events could also significantly affect our industry and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition, results of operations and prospects. Our operations could be disrupted if any of our employees were suspected of having any of the epidemic illnesses, since this could require us to quarantine some or all of such employees or disinfect the facilities used for our operations. In addition, our revenues could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the Chinese or global economy in general. Our operations could also be severely disrupted if our customers, suppliers or other participants were affected by such natural disasters, health epidemics or other outbreaks.

We may also be subject to social and natural catastrophic events that are beyond our control, such as natural disasters, health epidemics, riots, political and military upheavals and other outbreaks in the country or region where we have our operations or where a portion of our users are located. Such events could significantly disrupt our operations and negatively impact our business, financial condition, results of operations and prospects.

We are subject to a variety of risks associated with our hospital supplies, pharmacy supplies and chronic condition products businesses.

We sell medical devices, consumables, pharmaceuticals and miscellaneous, directly or through distributors, in our hospital supplies, pharmacy supplies and chronic condition products business, which is subject to a variety of risks, including:

- inability to timely respond to changes in the needs and preferences of hospitals, pharmacies and patients;

- inability to meet required storage conditions and stock adequate supplies of products that meet demands;

- failure to implement effective pricing and other strategies in response to market competition or failure to implement our business strategies on schedule or within our budget;

- inability to obtain and maintain regulatory or governmental permits, approvals and clearances, or to pass PRC government inspections or audits;
- inability to comply with applicable laws and regulations, such as Drug Administration Law and the two-invoice system;
- inability to successfully execute effective advertising, marketing and promotional programs necessary to maintain and increase awareness of our brand and products;
- overall consumer spending on healthcare in China;
- the risks of, and liabilities resulting from, any contamination, injury or other harm caused by any use, misuse or misdiagnosis involving products sold by us; and
- inability to maintain relationship with pharmaceutical and medical device suppliers.

The occurrence of any such risks in our product sales businesses may damage our overall business and reputation, and may have a material and adverse effect on our business, financial condition, reputation, and results of operations.

The loss of one or more of our major customers could affect our business, financial condition and prospects.

Our future success is dependent on establishing and maintaining successful relationships with a diverse set of customers. The identity of our major customers may vary from period to period, but it is likely a limited number of customers may contribute a significant proportion of our revenues for the foreseeable future. In 2019, 2020 and 2021, our largest five customers accounted for 30.9%, 26.5% and 30.1% of our total revenues, respectively, and revenue from our largest customer alone accounted for 13.7%, 5.9% and 8.3% of our total revenues during each of these years. See "Business — Customers." The loss of one or more major customers may reduce our respective total revenue. If we fail to maintain existing major customers or develop relationships with other customers, our business, financial condition and prospects may be materially affected.

Our business generates, processes and has access to a large amount of data, and the improper use or disclosure of such data could harm our reputation as well as have a material adverse effect on our business and prospects.

Although we do not process or store in-hospital data, we have access to a large amount of personal, transactional, demographic and behavioral data generated from our pharmacy SaaS and individual chronic condition management platform. See "Business — Data Privacy and Security." We face risks inherent in handling large volumes of data and in securing and protecting such data. In particular, we face a number of data-related challenges related to our business operations, including:

- protecting the data in and hosted on our system, including against attacks on our system by external parties or fraudulent behavior by our employees;
- addressing concerns related to privacy and sharing, safety, security and other factors; and
- complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data.

Regulatory requirements regarding the protection of such data are constantly evolving and can be subject to significant change, making the extent of our responsibility in that regard uncertain. Under certain regulations, rules and measures promulgated by the Ministry of Industry and Information Technology of the People's Republic of China, or the MIIT, since 2011, any collection and use of a user's personal information by an internet services provider must be subject to the consent of the user or any other legitimate conditions specified by laws and regulations, abide by the principles of legality, rationality and necessity, and be within the specified purposes, methods and scopes. The internet services provider must keep all information collected strictly confidential and is prohibited from divulging, tampering with or destroying any such information, or selling or providing such information to other parties. Moreover, the PRC governmental authorities have, in recent years, promulgated certain laws and regulations in respect of information security, data collection and privacy protection regulations, such as the Civil Code, Cyber Security Law, Provisions on Protection of Personal Information of Telecommunication and Internet Users, and the Data Security Law that took effect on September 1, 2021. In particular, the Cyber Security Law, which became effective in June 2017, is formulated to maintain network security, safeguard the cyberspace sovereignty, national security and public interests, protect the lawful rights and interests of citizens, legal persons and other organizations, and further enhance personal information protection, such as through requirements on the collection, use, processing, storage and disclosure of personal information. Measures for Cyber Security Review, which became effective on February 15, 2022, sets forth the cybersecurity review mechanism for critical information infrastructure operators and online platform operators, and provides that 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. The Data Security Law provides for a security review procedure for the data activities that may affect national security. See "Regulatory Overview — Regulations Relating to Internet Information Security and Personal Informational Protection" for more details.

On January 4, 2022, the Cyber Administration of China, together with 12 other departments, 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 would repeal 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. There remain substantial uncertainties with respect to the interpretation and applicability of the New CAC Measures, especially the criteria for the determination of the risks that "affect or may affect national security". It also remains uncertain whether the future regulatory changes would impose additional restrictions on companies like us. We cannot predict the impact of the CAC Measures, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. If, based on the enacted version of the CAC Measures and other relevant rules and regulations, we will be subject to increased scrutiny regarding data security and data protection, we face uncertainties as to whether we can timely comply with such heightened requirements, or at all. If we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our app from the relevant application stores, among other sanctions, which could materially and adversely affect our business and results of operations.

On November 14, 2021, the CAC published the Draft Regulations on Network Data Security Management, which differentiates "**[REDACTED]** in Hong Kong" from "**[REDACTED]** in a foreign country." However, according to the Draft Regulations on Network Data Security Management, seeking a **[REDACTED]** in Hong Kong that has or could have an impact on national security should be reported to competent authorities and undergo the cybersecurity review. According to National Security Law of the PRC (《中華人民共和國國家安全法》) that was issued by the Standing Committee of the National People's Congress on July 1, 2015 and became effective on the same date, national security refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other vital interests of the state, and the capability to maintain a sustained security status are not faced with any danger and not threatened internally or externally. However, the criteria for determining "affect or may affect national security," which is the term used in the Draft Regulations on Network Data Security Management, remain uncertain, and are still subject to

further clarification by the CAC. Due to the uncertainty on the interpretation and application of the Draft Regulations on Network Data Security Management, there can be no assurance that our **[REDACTED]** on the Hong Kong Stock Exchange as well as our data processing activities will not be deemed to have or potentially have an impact on national security. If our **[REDACTED]** were deemed to have or potentially have an impact on national security in the process of applying for **[REDACTED]** on the Hong Kong Stock Exchange, and we failed to conduct cybersecurity review according to the relevant laws and regulations, we could be requested to take rectification actions, subject to disciplinary warning, and/or be imposed to an administrative penalty ranging from RMB50,000 to RMB500,000 for a single violation incident. Furthermore, if such violation causes material impact, we may be subject to more severe penalties, such as revocation of relevant practicing licenses and permits. In addition, if for any reason we fail to meet relevant requirements of the Draft Regulations on Network Data Security Management when it becomes effective, we might be subject to harsh penalties, warnings, suspension of our business or revocation of our practicing licenses and permits, which could have significant and adverse impact on our business operation as well as financial performance.

Because the Civil Code, Cyber Security Law and relevant regulations, rules and measures are relatively new, there are uncertainties as to the interpretation and application of these laws and regulations, and it is possible that our data protection practices are or will be inconsistent with regulatory requirements. Any violation of the provisions and requirements under the Cyber Security Law and other relevant regulations, rules and measures may subject us to warnings, fines, confiscation of illegal gains, revocation of licenses, suspension of business, shutting down of websites or even criminal liabilities. Complying with such requirements could cause us to incur substantial expenses or to alter or change our practice in a manner that could harm our business. Any systems failure or security breach or lapse that results in the unauthorized release of data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability. For example, 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. The relevant authorities launched several rectification actions, including, among others, the MIIT's inspection of mobile application software and urging of enterprises with problems to rectify.

Our privacy policies and practices concerning the collection, use and disclosure of data are posted on our mobile app. Although we have developed systems and processes designed to protect such data generated in our course of business, we can provide no assurance that such measures will provide absolute security or are absolute consistent with regulatory scrutiny. For example, recently, our app was criticized by the Ministry of Industry and Information Technology of the PRC and Zhejiang Communications Administration for collecting excessive users' personal information and forcing users to allow notification push functions. Though we have timely

rectified these issues, we cannot assure you that our apps now comply and will continue to comply with all applicable laws and regulations. Any failure, or perceived failure, by us to comply with our privacy policies or with any applicable regulatory requirements or privacy protection-related laws, rules and regulations could result in proceedings or actions against us by governmental entities or others. These proceedings or actions may subject us to significant penalties and negative publicity, require us to change our business model or practices, increase our costs and severely disrupt our business, which may materially and adversely affect our business, financial condition, results of operations and prospects.

If we are unable to develop and release new products and solutions, or successfully and timely add enhancements, new features and modifications to our existing products and solutions, our business could be adversely affected.

In order to grow our business, we must continually improve and enhance our existing products and solutions, such as by adding new features and modification to them. We also need to keep identifying new industry pain points and track evolving market demands in order to timely release new products and solutions and optimize our existing products and solutions to create value for healthcare industry participants. There is no assurance that we will be able to forecast and predict new demands and needs of our customers and users. Neither can we be assured that we will be able to keep up with healthcare solution technology development or our competitor's technological developments. There are also risks involved in releasing new solutions and/or services. For example, our new solutions may achieve low market acceptance, and our sales and marketing strategies for our new solutions may be ineffective. Moreover, the performance of certain of our existing products and solutions, which account for a majority of our revenues, may be adversely affected by our introduction of new solutions by other providers.

We may not be able to conduct our marketing activities effectively, properly, or at reasonable costs, which would have an impact on our business operations.

We invest significant resources in a variety of different marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our products and solutions. However, our brand promotion and marketing activities may not be well received and may not result in the levels of sales that we anticipate. Meanwhile, marketing approaches and tools in the PRC internet healthcare market are continually evolving, which may require us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. If we fail to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner, our market share could fall, which could materially and adversely affect our financial condition, results of operations and profitability.

If we fail to effectively manage our growth, we may be unable to execute our business plan or adequately address competitive challenges, which could adversely affect our business, financial condition and results of operations.

Our business has become increasingly complex in terms of business model, coverage and scale. Any future expansion may increase the complexity of our operations and place a significant strain on our managerial, operational, financial and human resources. Our current and planned personnel, systems, procedures and controls may not be adequate to support our future operations. We cannot assure you that we will be able to effectively manage our growth or to implement all plans, procedures and control measures successfully. If we are unable to manage our growth effectively, our business and prospects may be materially and adversely affected.

We are also continually executing new initiatives, strategies and operating plans designed to enhance our business, such as continuing to expand our hospital and pharmacy network, continuing to grow our user and doctor base, and continuing to invest in product and technology innovation. See "Business — Our Growth Strategies." These initiatives are new and evolving, some of which are still at the inception or trial stage, and may prove unsuccessful. We may not be able to successfully complete these growth initiatives, strategies and operating plans and realize the benefits that we expect to achieve. If, for any reason, the benefits we realize from these initiatives are less than our expectations, or the implementation of these growth initiatives, strategies and operating plans costs more than we have expected, our business, financial condition and results of operations may be materially and adversely affected.

In addition, we may from time to time seek and pursue opportunities through acquisitions, joint ventures or strategic partnerships for expansion, and we may face similar risks and uncertainties through these arrangements as those described above. Even if we manage to successfully complete an acquisition or establishment a joint venture or strategic partnership, we may face difficulties in integrating the new business and may not achieve the synergies as we have expected. Failure to properly address these risks and uncertainties may materially and adversely affect our ability to carry out acquisitions and other expansion plans, integrate and consolidate newly acquired or newly formed businesses, and realize all or any of the anticipated benefits of such expansion, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Claims made against us due to services provided by the doctors on our platform may have a material and adverse effect on our business, financial condition and results of operations.

Doctors on our platform may provide sub-standard services, mishandle sensitive information, engage in other misconduct or commit medical malpractice, all of which could subject us to medical liability claims. Furthermore, similar to their practice at hospitals, doctors' practice on our platform is subject to risks inherent to the medical practice such as misdiagnose and erroneous

prescriptions, which could also subject us to medical and consumer liability claims. Our business, financial condition, results of operations and reputation may be materially and adversely affected if any such claims are made against us in connection with these actions that are not fully covered by insurance. See "— We may become subject to product liability and medical liability claims, which could cause us to incur significant expenses and be liable for significant damages if not covered by insurance. We may also be subject to reputational harm because of these liability claims." Doctors on our platform work remotely, and we have limited control over them as well as the quality of their online medical consultation services. There can be no assurance that our risk management procedures will be sufficient to monitor their performance and control the quality of their work. If doctors on our platform fail to comply with applicable laws in relation to the provision of consultation services on our platform, our user experience could deteriorate, and we may suffer as a result of any actual or alleged misconduct by them, which could materially and adversely affect our business, financial condition, results of operations and reputation.

We may become subject to product liability and medical liability claims, which could cause us to incur significant expenses and be liable for significant damages if not covered by insurance. We may also be subject to reputational harm because of these liability claims.

We are exposed to risks inherent in marketing, distributing and selling medical devices, consumables and pharmaceuticals and providing online healthcare services in China. Risks related to the marketing distribution and sales of products may arise from our hospital supplies business under in-hospital solution, our pharmacy supplies business under pharmacy solution and our chronic condition products business under our individual chronic condition management solution and others. Claims, user complaints or administrative penalties may arise if any of our products are deemed or proven to be unsafe, ineffective or defective, or they are found to contain illicit substances. We may also be subject to allegations of having engaged in practices such as improper filling of prescriptions, sales of counterfeit or substandard medicines or other chronic condition products, or providing inadequate warnings or insufficient or misleading disclosures of side effects.

In addition, in the event that any use or misuse of the products we sell results in any medical incidents, personal injury, suicide or death, product liability claims may be brought against us for damages. If we are unable to defend ourselves against such claims, among other things, we may be subject to civil liabilities for physical injury, death or other losses caused by our products, to criminal liabilities, and to the revocation of our business licenses or relevant permits. In addition, we may be required to suspend sales or cease sales of the relevant products.

Any product liability claims made against us could cause negative publicity, impairment of users' confidence in us, significant decrease in sale volume or may result in fines and penalties from regulatory authorities. Any claims made against us could be costly to defend against, result in substantial damage awards against us and divert the attention of our management team from our

operations, which could have a material adverse effect on our business, financial condition, results of operations and reputation. In the event that such product liability claims are attributable to our suppliers or business partners, there can be no assurance that we will obtain full indemnification from them. Even if we do, our reputation may still be severely impaired.

In addition, we face risks of medical liability claims against doctors on our platform and us in connection with our online healthcare services. Such risks may arise from our individual chronic condition management solution and others. Our online consultation and prescription services focus on chronic condition management, which requires long-term treatment, re-filling of prescriptions and condition management. Our online hospitals do not provide initial or physical diagnoses to patients through our internet hospital, and our services focus on providing patients with chronic conditions who have already obtained their initial diagnoses elsewhere and require prescription renewal. To ensure our full-time doctors and part-time doctors who have completed the multi-site registration under our internet hospital to properly assess the relevant patients' medical conditions, we require patients to upload their previously issued prescriptions and other initial and/or subsequent medical records before obtaining prescription renewal from us. However, we cannot assure that the medical records provided by patients are entirely authentic, accurate, complete and up-to-date, or at all, which may affect professional judgement of our doctors, lead to misdiagnose and erroneous prescriptions and further subject us to medical liability claims. Although any medical claims against us and/or doctors on our platform based on inauthentic, inaccurate, incomplete and outdated medical records provided by patents may not have merit, such medical claims may divert the attention of our management from our operations, cause negative publicity concerning our services and even impair users' confidence in us, which may materially and adversely affect our business operations, reputation and brand names. Furthermore, doctors on our platform may provide sub-standard services, mishandle sensitive information, engage in other misconduct or commit medical malpractice, which could subject us to medical liability claims. Although we carry insurance covering medical malpractice claims in amounts that we believe are appropriate in light of the risks attendant to our business, successful medical liability claims could result in substantial damage awards that may exceed the limits of our insurance coverage.

Any claims made against us that are not fully covered by insurance could be costly to defend against, result in substantial damage awards against us, divert the attention of our management from our operations cause negative publicity concerning our services and even impair users' confidence in us, which could have a material adverse effect on our business, financial condition, results of operations and reputation.

The sale of prescription drugs is subject to stringent scrutiny, which may expose us to risks and challenges.

The sale of prescription drugs in China is subject to stringent scrutiny, which may expose us to risks and challenges. In particular, under the Administrative Measures for the Supervision and Administration of Circulation of Pharmaceuticals promulgated by the CFDA in 2007, a company is prohibited from either selling prescription drugs to consumers without a prescription or selling prescription drugs via internet or by post. A company in violation of such prohibitions will be

instructed to rectify, given a disciplinary warning, and imposed an administrative penalty of no more than RMB30,000 per violation. In 2019, the newly revised Drug Administration Law of the People's Republic of China, or the Drug Administration Law, abolished the prohibition on online sale of prescription drugs, and the principle of keeping online and offline sales consistent was explained in the press conference of the promulgation of the Drug Administration Law. In November 2020, NMPA published for public comment the Draft Measures for the Supervision and Administration of Online Pharmaceuticals Sales, or the Draft Measures, aiming to enhance the supervision of online pharmaceutical sales and related platform services. The Draft Measures provide specific and explicit rules for online sales of prescription drugs and related platform services, which is perceived to be more conducive to online prescription drug sellers including us, but also presents challenges for us to be in compliance. The Draft Measures provide that, among others, online prescription drug sellers must (i) ensure the accuracy and reliability of the source of e-prescription, (ii) keep records of any e-prescription for at least five years and no less than one year after the expiration date of the prescription drugs, and (iii) disclose safety warnings including "prescription drugs should only be purchased and used with prescriptions and guidance of licensed pharmacists" when displaying information of prescription drugs. In the opinion of our PRC counsel, Tian Yuan Law Firm, the Draft Measures were released for public comment only and their operative provisions and the anticipated adoption or effective date may be subject to change with substantial uncertainty. We will closely monitor and assess the trajectory of the rule-making process. In April 2021, the General Office of the State Council released the Opinions on serving "Six Stable" and "Six Guarantee" to Further Improve the Reforms to Streamline Administration, Delegate Powers and Improve Regulation and Services, the online sales of prescription drugs, other than those under special state-management, are permitted if the authenticity and reliability of the sources of e-prescription are assured.

We refer orders for prescription drugs, either from orders on Health Mall or prescribed by doctors using our platform, to third-parties or our own pharmacies. It remains uncertain whether the sale of prescribed drugs by third party pharmacies through our platform is and will continue to be in full compliance with the relevant laws and regulations or any new laws and regulations that may be promulgated in the future, which are evolving and subject to change. Any failure to comply with such laws and regulations could subject us to disciplinary warnings and administrative penalties, which may in turn materially and adversely affect our business, results of operations, financial condition and prospects. Additionally, we cannot assure you that the measures and mechanism we use to monitor regulatory compliance in these areas will be effective or sufficient. There may be loopholes in our scrutiny measures and such measures may not be able to timely and effectively detect prescription abuse or fraudulent orders. As the methods used to bypass or cheat our scrutiny measures may change frequently and may not be recognized until they succeed, we may be unable to anticipate these methods or to implement adequate preventative measures. Failure to effectively control the sale of prescription drugs could expose us to liability under PRC laws and regulations, which may incur significant liability and our business, financial condition and results of operations could be materially and adversely affected. In addition, failure by pharmacies on online platforms to effectively screen the sale of prescription drugs could expose them to liability under PRC laws and regulations, which, in turn, may have a negative impact on our reputation and on our financial condition and results of operations.

Product return and exchange may affect our results of operations.

We generally do not accept product returns, which is in line with market practice and is in accordance with relevant laws and regulations regarding drugs and medical devices sold such as the Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》). See "Regulatory Overview — Regulations Relating to Drugs and Medical Devices". However, we permit the return and exchange of certain of our products in certain circumstances for product quality reasons. In the future, we may also be required by law to adopt new or amend existing return and exchange policies from time to time. Product return and exchange subject us to additional costs and expenses which we may not recoup through increased revenue.

If our product return rates increase or are higher than expected, our revenues and costs can be negatively impacted. Furthermore, we may experience an increase in our inventory balance, inventory impairment and fulfillment cost, which may materially and adversely affect our working capital. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We may incur liability or become subject to administrative penalties for counterfeit, substandard or unauthorized products sold on our platform, or for products sold on or content posted on our platform that infringe on third-party intellectual property rights, or for other misconduct.

We source our products from various suppliers. Pharmacies selling through our online platform are separately responsible for sourcing the products they sell on our platform. Although we have adopted measures to verify the authenticity and authorization of products sold through our platform and avoid potential infringement of third-party intellectual property rights in the course of sourcing and selling products, we may not always be successful.

If counterfeit, substandard, unauthorized or infringing products are sold on our platform or infringing content is posted on our platform, we could face liability claims. We may in the future receive claims alleging our infringement of third parties' rights. Irrespective of the validity of such claims, we could incur significant costs and efforts in either defending against or settling such claims. If there is a successful claim against us, we could be required to pay substantial damages or refrain from further sale of the relevant products. Potential liability under PRC law if we are found to have negligently participated or assisted in infringement activities associated with counterfeit goods includes injunctions to cease infringing activities, rectification, compensation, administrative penalties and even criminal liability. Moreover, such third-party claims or administrative penalties could result in negative publicity and our reputation could be severely damaged. Any of these events could have a material and adverse effect on our business, results of operations or financial condition.

We require most of our suppliers to indemnify us for any losses we suffer or any costs that we incur due to any counterfeit, substandard, unauthorized or infringing products we source from these suppliers or any such products sold by these pharmacies in such agreements with suppliers.

However, not all of our agreements with suppliers and pharmacies have such terms, and for those agreements that have such terms, we may not be able to successfully enforce our contractual rights and may need to initiate costly and lengthy legal proceedings in China to protect our rights.

We may be subject to claims under consumer protection laws, including health and safety, claims and product liability claims, if property or people are harmed by the products and services provided through our platforms.

The PRC government, media outlets and public advocacy groups are increasingly focused on consumer protection. As part of our business, we offer medical devices, consumables, pharmaceuticals and miscellaneous on our online retail platform. Such activities pose increasing challenges to our internal control and compliance systems and procedures, and expose us to substantial increasing liability, negative publicity and reputational damage arising from consumer complaints, harms to personal health or safety or accidents involving products or services offered through our platforms or provided by us. Operators of e-commerce platforms are subject to certain provisions and liabilities of consumer protection laws even where the operator is not the merchant of the product or the provider of service purchased by the consumer. In addition, if we do not take appropriate remedial action against merchants or service providers for actions they engage in that we know, or should have known, would infringe upon the rights and interests of consumers, we may be held jointly liable for infringement alongside the merchant or service provider. We may also be held jointly liable with the merchants under the applicable PRC law if we fail to take necessary actions when we know or should have known that the products or services provided by the merchants on our platforms do not meet personal and property security requirements, or otherwise infringe upon consumers' legitimate rights. Under the applicable PRC law, we may be subject to penalties of up to RMB2,000,000 if we are found to breach the relevant consumer protection laws applicable to operators of e-commerce platforms, in addition to other potential administrative and civil liabilities. Moreover, applicable consumer protection laws in China hold that platforms will be held liable for failing to meet any undertaking that the platforms make to consumers that is favorable to the consumers with regard to products listed on their platforms. Furthermore, we are required to report to the SAMR, formerly known as the SAIC, or its local branches any violation of applicable laws, regulations or SAMR rules by merchants or service providers, such as sales of goods without proper license or authorization, and we are required to take appropriate remedial measures, including ceasing to provide services to the relevant merchants or service providers. We may also be held liable if we fail to verify the licenses or qualifications of merchants, or fail to safeguard consumers with respect to products or services affecting consumers' health or safety.

If we or the distributors we leverage are removed from certain hospital vendor lists or fail to be included when those lists are renewed, our ability to conduct business could be materially impaired.

We sell medical devices, consumables and pharmaceuticals to hospital end customers either through direct sales or distributors. Chinese hospitals in general do not procure pharmaceuticals, consumables and medical devices from vendors that are not on their vendor lists. In particular,

public hospitals are generally required by the relevant regulatory authorities to procure from a vendor list. Vendors on that list must be approved and the list is subject to renewal. The process of being included on hospitals' vendor lists is complicated and time-consuming. We have been listed on the vendor lists of some hospitals, and we leverage certain distributors who are listed on hospital vendor lists. To the extent that we or those distributors are removed from the relevant hospital vendor lists or fail to be included when the lists are renewed for any reason, including but not limited to our or the distributors' failure to meet any qualification required by the hospitals, our ability to sell medical devices, consumables and pharmaceuticals, directly or through the distributors, to those hospital end customers will be impaired, and our results of operations and financial condition could be materially adversely affected as a result.

A severe or prolonged downturn or economic uncertainty in the Chinese or global economy, particularly as it impacts particular industries, could materially and adversely affect our business and financial condition.

COVID-19 has had a severe and negative impact on the Chinese and the global economy. Whether this will lead to a prolonged downturn in these economies is still unknown. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. In recent years, the United States and other significant markets have experienced cyclical downturns and worldwide economic conditions remain uncertain. The growth rate of the Chinese economy had already been slowing since 2010. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that had been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China, as well as uncertainty as to how economies will respond once these expansionary policies are withdrawn. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including other countries in the Asia Pacific region, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

Economic uncertainty and associated macroeconomic conditions make it extremely difficult for our customers and us to accurately forecast and plan future business activities, and could cause our customers to slow spending on our products and solutions, which could delay and lengthen sales cycles. Furthermore, during uncertain economic times our customers may face issues gaining timely access to sufficient credit, which could result in an impairment of their ability to make timely payments to us. If that were to occur, we may be required to increase our allowance for doubtful accounts and our results of operations could be negatively impacted.

We cannot predict the timing, strength, or duration of any economic slowdown or any subsequent recovery generally, or any industry in particular. If the conditions in the general economy or the markets in which we operate worsen from present levels, our business, financial condition and results of operations could be materially adversely affected.

We rely on third-party logistics and delivery companies to fulfill and deliver our orders. If these logistics and delivery companies fail to provide reliable delivery services, our business and prospects, as well as our financial condition and results of operations, may be materially and adversely affected.

As of December 31, 2021, we had entered into contractual arrangements with four third-party logistics companies to store or deliver our products to our customers and end-consumers. We may also use third-party service providers to ship products from our leased fulfillment centers to delivery stations or to deliver bulky item products. Interruptions to or failures in these third parties' delivery services could prevent the timely or proper delivery of our products to distributors, customers and end consumers. These interruptions may be due to events that are beyond our control or the control of these delivery companies, such as inclement weather, natural disasters, transportation disruptions or labor unrest. We may not be able to find alternative delivery companies to provide delivery services in a timely and reliable manner, or at all. If products are not delivered in proper condition or on a timely basis, our business and reputation could suffer.

Any disruption to the operation of our current fulfillment facilities, or to the development of our new facilities, could reduce or negatively impact sales and have a material adverse effect on our business, financial condition and results of operations.

We rely on our fulfillment centers for the continuing operation of our Health Mall. Natural disasters or other unanticipated catastrophic events, including power interruptions, water shortage, storms, fires, earthquakes, terrorist attacks and wars, as well as changes in governmental planning for the land underlying these facilities, could significantly impair our ability to operate our business and destroy any inventory located in these facilities. In addition, fulfillment centers at suitable and convenient locations that meet the storage condition and the requirements of modern logistics operations for guaranteed storage safety, optimal and flexible space utilization and high operational efficiency are in short supply. We may not be able to replace these facilities and equipment in a timely manner, should any of the foregoing occur.

Furthermore, the leases for our fulfillment centers and our use thereof could be challenged by third parties or government authorities, which may cause interruptions to our business operations. Certain lessors of our leased fulfillment centers have not provided us with their property ownership certificates or any other documentation proving their right to lease those properties to us. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors or permits from the relevant government authorities, our leases could be invalidated and we may have to renegotiate the leases with the owners or the parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. Also, certain of our leasehold interests in leased properties have not been registered with the relevant

PRC government authorities as required by PRC law, which may expose us to potential fines. We cannot assure you that our use of such leased properties will not be challenged by government authorities, property owners or other third parties. In the event that our use of leased properties is successfully challenged, we may be subject to fines and forced to relocate the affected operations. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties.

Our in-house technologies and solutions are complex and may contain undetected errors or may not operate properly, which could adversely affect our business, financial condition and results of operations.

The technologies underlying our platform are highly complex and may contain undetected errors or vulnerabilities, some of which may only be discovered after the products and solutions have been used by hospitals, pharmacies, doctor, patients and other users. Any real or perceived errors, failures, bugs or other vulnerabilities discovered in our products and solutions could result in negative publicity and damage to our reputation, loss of customers, loss of users, loss of or delay in market acceptance of our platform, loss of competitive position, loss of revenue or liability for damages, overpayments and/or underpayments. Similarly, any real or perceived errors, failures, design flaws or defects in our devices could have similar negative results. In such an event, we may be required or may choose to expend additional resources in order to help correct the problem. Such efforts could be costly, or ultimately unsuccessful. Even if we are successful at issues, we may experience damage to our reputation and brand. There can be no assurance that provisions included in our agreements with partners that attempt to limit our exposure to claims would be enforceable or adequate or would otherwise protect us from liabilities or damages with respect to any particular claim. Even if unsuccessful, a claim brought against us by any customers or users would likely be time-consuming and costly to defend and could seriously damage our reputation and brand.

If we fail to adopt new technologies or adapt our platform to changing user requirements or emerging industry standards, or if our efforts to invest in the development of new technologies are unsuccessful or ineffective, our business may be materially and adversely affected.

To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our platform. The industries we operate in are characterized by rapid technological evolution, changes in user requirements and preferences, frequent introductions of new products and solutions embodying new technologies and the emergence of new industry standards and practices, any of which could render our existing technologies and systems obsolete. Our success will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful in our business, and respond to technological advances and emerging industry standards and practices, such as mobile internet, in a cost-effective and timely way. In recent years, we invested in the development of many new technologies and business initiatives, such as AI, big data and cloud. The development of websites, mobile apps and other proprietary technologies entails significant technical and business risks. We cannot assure you that we will be

able to successfully develop or effectively use new technologies, recoup the costs of developing new technologies or adapt the websites and mobile apps that we operate and our proprietary technologies and systems to meet user requirements or emerging industry standards. If we are unable to develop technologies successfully or adapt in a cost-effective and timely manner in response to changing market conditions or user requirements, whether for technical, legal, financial or other reasons, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We invest significantly in research and development, and we may not be able to recoup the investments we make, which in turn could adversely impact our financial condition and results of operations.

Our success depends in part on our ability to continually enhance our products and services. If we are unable to respond to rapid technological changes in a cost-effective manner and develop new features and functions that satisfy our customers' and users' demands, our products and services may become less marketable and less competitive, and our business, results of operations may be adversely affected.

We have made, and will continue to make, investments in research and development which we believe to be helpful to our business, such as AI and big data technologies. We incurred RMB23.8 million, RMB132.4 million and RMB236.2 million of research and development expenses in the fiscal years ended December 31, 2019, 2020 and 2021, respectively, accounting for 4.5%, 15.8% and 13.4% of our total revenues during the same respective periods. Although investments in research and development are critical to our success, they may not yield the desired results. We may experience difficulties that could delay or impede the development we fund, after having committed significant time and financial resources. Even if research and development projects successfully lead to new products or services, they may require lengthy period of time for testing before commercial launch, and the final products or services we offer to the market may not be well-received by our customers or users or generate sufficient revenue to cover the expenses incurred.

If we fail to collect trade receivables from our transacting customers in a timely manner, our business, results of operations and financial condition may be materially and adversely affected.

We extend credit terms to certain transacting customers that result in trade receivables. As of December 31, 2019, 2020 and 2021, our trade receivables were RMB143.5 million, RMB276.2 million and RMB468.5 million, respectively. As of April 30, 2022, RMB256.2 million, or 54.7%, of our trade receivables balance as of December 31, 2021, had been settled. See "Financial Information — Discussion of Certain Key Balance Sheet Items — Trade and Bills Receivables" for more details. Although we provide for specific payment schedules in our service agreements with customers, they may not be able to follow and enforce the payment schedule for a number of reasons, some of which are beyond their and our control. For example, the ability to follow payment schedule by our public sector customers may be restricted by potential delays or changes in the government appropriations or other funding authorization processes that are beyond our or

our customers' control. We generally make a credit assessment of our customers in the private sector, such as pharmaceutical companies, before entering into an agreement with them. However, we cannot assure you that we are or will be able to accurately assess the creditworthiness of each of them. Similarly, if our distributors' cash flow, working capital, financial condition or results of operations deteriorate, they may be unable or otherwise unwilling to pay trade receivables owed to us promptly or at all. Any inability of our customers or distributors to pay us in a timely manner may adversely affect our liquidity and cash flows, which in turn has a material adverse effect on our business operations and financial condition.

We recorded net liabilities during the Track Record Period.

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, primarily due to the financial liabilities at FVTPL of RMB1,720.3 million, RMB4,478.2 million and RMB8,907,7 million that we recorded as of December 31, 2019, 2020 and 2021, respectively. Our financial liabilities at FVTPL consist of convertible redeemable preferred shares and convertible loans issued to investors in our private 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. In July 2021, all of the convertible loans were converted into convertible redeemable preferred shares. However, there can be no assurance that we will not experience liquidity problems in the future. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position will be adversely affected as a result.

Our results of operations, financial conditions and prospects have been adversely affected by fair value changes of financial instruments at fair value through profit or loss, in particular, by fair value changes in our convertible redeemable preferred shares, the valuation of which is uncertain due to the use of unobservable inputs that require judgment and assumptions that are inherently uncertain.

We expect that our net loss for the year ending December 31, 2021 will increase significantly comparing to the year ended December 31, 2020 due to the expected loss on fair value changes of the convertible redeemable preferred shares. During the Track Record Period, we had outstanding convertible redeemable preferred shares, which were designated as financial liabilities at fair value through profits or losses. Their fair value is determined based on the valuation performed by an independent valuer, using valuation techniques. The assessment of fair value of our convertible redeemable preferred shares requires the use of unobservable inputs including discount rate, discount of lack of marketability and expected volatility. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. These valuation methodologies that we use involve a significant degree of management judgment and are inherently uncertain. Changes in these unobservable inputs and other estimates and judgments could materially affect the fair value of our convertible redeemable preferred shares, which in turn may adversely affect our results of operations. In 2019, 2020 and

2021, we recognized net losses from changes in fair value of financial liabilities of RMB326.6 million, RMB2,003.4 million and RMB3,397.6 million, respectively. As we completed additional financing in the third quarter of 2021, we may incur additional losses from changes in fair value changes on our convertible redeemable preferred shares after June 30, 2021 to the **[REDACTED]**, upon which all the convertible redeemable preferred shares will automatically convert into our Shares. After the automatic conversion of the convertible redeemable preferred shares into Shares upon the **[REDACTED]**, which may result in a net asset position, we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares in the future.

We may incur impairment charges for our goodwill and intangible assets.

We recorded goodwill, which relates to business acquisitions, of nil, RMB19.0 million and RMB25.6 million as of December 31, 2019, 2020 and 2021, respectively. We also recorded intangible assets, which primarily comprise exclusive rights, softwares, patents, licenses and customer relationships, of RMB29.2 million, RMB111.5 million and RMB164.6 million as of December 31, 2019, 2020 and 2021, respectively. Our impairment assessment of goodwill and other intangible assets is based on a number of assumptions made by our management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to make a significant provision for our goodwill and other intangible assets and record a significant impairment loss, which could in turn adversely affect our results of operations. Any significant impairment of goodwill or intangible assets could have a material adverse effect on our business, financial condition and results of operations.

We recorded net current liabilities throughout the Track Record Period.

We recorded net current liabilities throughout the Track Record Period, which amounted to RMB906.1 million, RMB3.5 billion and RMB7.4 billion as of December 31, 2019, 2020 and 2021, respectively, primarily due to the accounting effects of the convertible redeemable preferred shares we issued in previous rounds of financings.

Our convertible redeemable preferred shares will be automatically converted into ordinary shares upon the closing of the **[REDACTED]**. Afterwards, 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 a net assets position. See "Financial Information" for further details. However, there can be no assurance that we will not experience liquidity problems in the future. Our cash flow from operations was negative throughout the Track Record Period. See "— 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." If we fail to generate sufficient cash flow from our operations, or if we fail to maintain sufficient cash and financing, our liquidity position may be adversely affected. If we do not have sufficient cash flows to fund our business, operations and capital expenditure, our business and financial position will be materially and adversely affected.

Fluctuation of fair value change of wealth management products at fair value through profit or loss may affect our results of operations, and the valuation of wealth management products is uncertain due to the use of unobservable inputs.

Fluctuations in fair value change of the wealth management products we purchased at fair value through profit or loss may affect our results of operations. We made investments in wealth management products during the Track Record Period and recorded a fair value of wealth management products of nil, nil and RMB28.0 million as of December 31, 2019, 2020 and 2021, respectively. The wealth management products we purchased consisted primarily of onshore and offshore short-term structured deposits and agreement deposits. We are exposed to credit risk in relation to our investments in wealth management products, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions and regulatory environment will create fair value gains on the wealth management products we invest in or that we will not incur any fair value losses on our investments in wealth management products. In addition, the valuation of wealth management is uncertain due to the use of unobservable inputs that are inherently uncertain. If we incur fair value losses with respect to the wealth management products we have invested in, our results of operations, financial condition and prospects may be adversely affected.

We may not be able to adequately manage our inventories, and our inventories may suffer from obsolescence or reduction in value.

We manage our inventories to monitor the movements and utilization of our inventories and ensure sufficient inventory levels to support our product sales businesses on a continuous basis. As of December 31, 2019, 2020 and 2021, our inventories amounted to RMB142.0 million, RMB59.4 million and RMB110.9 million, respectively. For further details, see "Financial information — Discussion of Certain Key Balance Sheet Items — Inventories." However, we cannot assure you that there will always be stable demand for our products, or that after purchase orders are received, such orders will not be cancelled or reduced. In the event that we are not able to secure sufficient purchases for our products, or that purchase orders placed are cancelled, reduced or otherwise varied while we are not able to secure other purchasers who are willing to purchase the relevant products, it is possible that part of inventories will become obsolete or reduce in value. In that case, our business, financial condition and results of operations could be materially and adversely affected.

If we are unable to fulfill our performance obligations in respect of contract liabilities, our results of operations and financial condition may be adversely affected.

As of December 31, 2019, 2020 and 2021, we recorded contract liabilities of RMB22.7 million, RMB120.7 million and RMB93.6 million, respectively. Our contract liabilities relate to the consideration received from customers while the underlying performance obligations under our contracts with customers are yet to be satisfied by us. For details, see "Financial Information — Discussion of Certain Key Balance Sheet Items — Contract Liabilities." If we fail to fulfill our performance obligations under our contracts with customers, we may not be able to convert such

contract liabilities into revenue, and our customers may also require us to refund the payments they have made, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirements and in turn, our results of operations and financial conditions. In addition, if we fail to fulfill our performance obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our reputation and results of operations.

Our prepayments for inventories and services to suppliers may not be recoverable, which may affect our results of operations and financial condition.

Our prepayments for inventories and services increased from RMB89.1 million as of December 31, 2019 to RMB99.8 million as December 31, 2020, and RMB164.7 million as of December 31, 2021. See "Financial Information — Discussion of Certain Key Balance Sheet Items — Prepayments, Deposits and Other Receivables." Our prepayments for inventories and services are mostly advances made to suppliers for purchasing inventories including medical devices, consumables, pharmaceuticals and miscellaneous. We cannot guarantee that upon receipt of our prepayments, our suppliers will always provide the inventories or services we have paid for in accordance with the terms on which we have agreed. If any of our suppliers fails to do so, our ability to deliver products to our customers and, in turn, our reputation, results of operations and financial condition may be affected. In addition, if any of our suppliers to whom we have made prepayments for inventories or services breaches its obligation to provide inventories or services, we may not be able to recover the prepayments we have made from them despite our contractual rights, in which case our liquidity, results of operations and financial condition may be affected.

Our results of operations are subject to seasonal fluctuations.

We experience seasonality in our business, mainly correlating to the seasonality patterns associated with hospital and pharmacy activities in China. For example, in first quarters which coincide with the Chinese New Year holiday, hospitals and pharmacies in China generally experience a lower volume of patient visits and other activities, and we typically see a lower demand for our products and solutions as a result. As we continue to grow and expand our business and as the industry we are in continues to evolve, the seasonality of our business is subject to a variety of uncertainties and may change in patterns in the future, and the impact of seasonality on our results of operations may also increase in the future. As a result, comparing our operating results on a period-to-period basis may not be meaningful, and our results of operations and the **[REDACTED]** of our Shares may fluctuate from time to time due to seasonality.

We may need additional capital but may not be able to obtain it on favorable terms or at all.

We may require additional cash resources due to operating losses or future growth and development of our business, including any investments or acquisitions we may decide to pursue. If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future

financial condition, results of operations, cash flows, **[REDACTED]** performance, liquidity of international capital and lending markets and the PRC governmental regulations over foreign investment and the PRC healthcare industry. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations. There can be no assurance that financing would be available in a timely manner or in amounts or on terms favorable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

We may not have sufficient insurance coverage to cover our business risks.

In relation to our online consultation and prescription services, we carry professional liability insurance covering a maximum of RMB23 million in aggregate over the course of a year, under which no claim had been made as of the date of this document. However, we may not be able to acquire insurance for certain types of risks we are exposed to for reasons including that insurance companies in China do not currently offer as extensive an array of insurance products as insurance companies in more developed economies, and our coverage may not be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operations. For example, we do not maintain product liability insurance or business interruption insurance, nor do we maintain key-man life insurance. Any product liability claim, business disruption, litigation, regulatory action, outbreak of epidemic disease or natural disaster could also expose us to substantial costs and diversion of resources. There can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

Third parties, including our competitors, could be infringing, misappropriating or otherwise violating our intellectual property rights. Monitoring unauthorized use of our intellectual property is difficult and costly. We may seek to enforce our rights against potential infringement, misappropriation or violation of our intellectual property. However, the steps we have taken to protect our proprietary rights may not be adequate to enforce our rights against such infringement, misappropriation or violation of our intellectual property. We may not be able to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Any inability to meaningfully enforce our intellectual property rights could harm our ability to compete and reduce demand for our products and solutions.

We may become involved in lawsuits to protect or enforce our intellectual property rights. An adverse result in any litigation proceeding could harm our business. In any lawsuit we bring to enforce our intellectual property rights, a court may refuse to stop the other party from using the technology at issue on grounds that our intellectual property rights do not cover the use or technology in question. Further, in such proceedings, the defendant could counterclaim that our intellectual property is invalid or unenforceable and the court may agree, in which case we could lose valuable intellectual property rights. The outcome in any such lawsuits are unpredictable, and even if we prevail, the process can be extended and costly.

We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.

We cannot be certain that our operations or any aspects of our business do not or would not infringe upon or otherwise violate trademarks, patents, copyrights or other intellectual property rights held by third parties. We may be, from time to time, or in the future, become subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other third-party intellectual property that is infringed by our products, services or other aspects of our business. There could also be existing intellectual property of which we are not aware that our products may inadvertently infringe. There can be no assurance that holders of such intellectual property purportedly relating to some aspect of our technology platform or business, if any such holders exist, would not seek to enforce such intellectual property against us in the PRC or in any other jurisdictions, as applicable. Furthermore, the application and interpretation of PRC intellectual property related laws and the procedures and standards in the PRC are still evolving and are uncertain, and there can be no assurance that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, which may materially and adversely affect our business, financial condition and results of operations.

We are subject to risks of security breaches and network interruptions, which may disrupt our services, result in breach of confidential and sensitive information, or otherwise adversely affect our business, reputation and results of operations.

In the ordinary course of our business, we collect, store, use and disclose sensitive data, including protected health information, or PHI, and other types of personal data or personally identifiable information, or PII. We also process and store sensitive information including intellectual property and other proprietary business information, including that of our customers

and users. Our customer and user information is encrypted but not always de-identified. We manage and maintain our data utilizing a combination of on-site systems, managed data center systems and cloud-based computing center systems.

We are highly dependent on information technology networks and systems, including the internet, to securely process, transmit and store this critical information. Security breaches of this infrastructure, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, and employee or contractor error, negligence or malfeasance, can create system disruptions, shutdowns or unauthorized disclosure or modifications of confidential information, causing member health information to be accessed or acquired without authorization or to become publicly available. Because of the sensitivity of the PHI, PII, and other information, the security of our technology platform and other aspects of our services are important to our operations and business strategy. Measures taken to protect our systems or the PHI, PII, or other sensitive data we maintain, may not adequately protect us from the risks associated with such information. Although we take steps to help protect confidential and other sensitive information from unauthorized access or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses, failures or breaches due to third-party action, employee negligence or error, malfeasance or other disruptions.

A security breach or privacy violation that leads to disclosure or unauthorized use or modification of, or that prevents access to or otherwise impacts the confidentiality, security, or integrity of, member information, including PHI, PII, or other sensitive information we maintain or otherwise process, could harm our reputation, compel us to comply with breach notification laws, cause us to incur significant costs for remediation, fines, penalties, notification to individuals and for measures intended to repair or replace systems or technology and to prevent future occurrences, potential increases in insurance premiums, and require us to verify the accuracy of database contents, resulting in increased costs or loss of revenue. If we are unable to prevent such security breaches or privacy violations or implement satisfactory remedial measures, or if it is perceived that we have been unable to do so, our operations could be disrupted, we may be unable to provide access to our platform, and could suffer a loss of customers or users or a decrease in the use of our platform, and we may suffer loss of reputation, adverse impacts on customer, user and investor confidence, financial loss, governmental investigations or other actions, regulatory or contractual penalties, and other claims and liability. In addition, security breaches and other inappropriate access to, or acquisition or processing of, information can be difficult to detect, and any delay in identifying such incidents or in providing any notification of such incidents may lead to increased harm.

Any such breach or interruption of our systems could compromise our networks or data security processes and sensitive information could be inaccessible or could be accessed by unauthorized parties, publicly disclosed, lost or stolen. Any such interruption in access, improper access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws and regulations that protect the privacy of member information or other personal information. Any such breach could also result in the compromise of our trade secrets and other proprietary information, which could adversely affect our business and competitive position. While

we maintain insurance covering certain security and privacy damages and claim expenses, we may not carry insurance or maintain coverage sufficient to compensate for all liability and in any event, insurance coverage would not address the reputational damage that could result from a security incident.

Furthermore, our business depends on the efficient and uninterrupted operation of our computer and communications systems. Our entire information infrastructure is located in China. Our information infrastructure contains substantial quantities of data relating to our customers, users and other participants of our platform such as account information, consultation records and transaction data, among other things, which enable our customers, users and other participants to fully engage in our platform. Our preparation for contingencies through data disaster recovery procedures may not be sufficient and we do not carry business interruption insurance. Furthermore, despite any precautions we may take, the occurrence of a natural disaster, such as an earthquake, flood or fire, or other unanticipated incidents at our information infrastructure facilities, including power outages, telecommunications delays or failures, break-ins to our systems or computer viruses, could result in delays or interruptions to our platform and operations as well as loss of our users' and other participants' data. Any of these events could damage our reputation, materially disrupt our platform and subject us to liability and claims, which may materially and adversely affect our business, financial condition and results of operations.

Our operations also depend on the performance of the internet infrastructure and fixed telecommunication networks in China, as well as the effectiveness of mobile operating systems and networks. Almost all access to mobile and internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. We primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's public communications networks, such as mobile, internet or the fixed telecommunications networks. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our platform. We cannot assure you that the public communications infrastructure in China will be able to support the demands associated with the continued growth in usage. In addition, we have no control over the costs of the services provided by public communications service providers. If the prices we pay for their services rise significantly, our financial performance may be adversely affected. Furthermore, if mobile access fees or other charges to mobile users increase, our user traffic may decline and our business may be harmed.

We utilize third-party cloud providers whose systems are subject to risks of cyberattacks and other technological problems.

We currently utilize third-party cloud providers in China to host our network infrastructure and store sensitive information including user information such as PHI and PII. Similar to our own system that stores sensitive information, the systems of our third-party cloud providers are subject to risks of security breaches and attacks. We take certain precautions to address these risks, such

as by requiring the third-party cloud providers to enter into agreements that contractually obligate their subcontractors to use reasonable efforts to safeguard PHI, PII and other sensitive information, but such precautions may not be adequate to protect the sensitive information we store with the third-party cloud providers from being improperly accessed, leaked or otherwise compromised. Furthermore, the systems of our third-party cloud providers may be disrupted by technological problems or third-party cyberattacks, as a result of which they may fail to function properly, causing us and our users to be unable to access information. There can be no assurance that we will be notified promptly of such technological problems or cyberattacks, or that the third-party cloud providers will be able to resolve such issues promptly and properly. Any security breach or other technological problem with our third-party cloud providers may thus disrupt our services and/or compromise the sensitive information we maintain, which could have a material adverse effect on our business and reputation and could result in legal claims and liabilities.

If our risk management and internal control system is not adequate or effective, and if it fails to detect potential risks in our business as intended, our business, financial condition and results of operations could be materially and adversely affected.

We have established our internal control system, such as an organizational framework and, policies and procedures that are designed to monitor and control potential risk areas relevant to our business operations. However, due to the inherent limitations in the design and implementation of our risk management system, it may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place.

Furthermore, our new business initiatives may give rise to additional risks that are currently unknown to us, despite our efforts to anticipate such issues. If our risk management system fails to detect potential risks in our business as intended or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management also depends on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended or such implementation will not involve any human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected, particularly with respect to the maintenance of our relevant approvals and licenses granted by governments.

Our business may be materially and adversely affected by adverse news, scandals or other incidents associated with China's general health and wellness industry.

Incidents that reflect doubt as to the quality or safety of pharmaceutical products manufactured, distributed or sold and services provided by other participants in the PRC general health and wellness industry, particularly the internet healthcare industry, including our competitors, have been, and may continue to be, subject to widespread media attention. Such incidents may damage the reputation of not only the parties involved, but also the overall general health and wellness industry, even if such parties or incidents have no relation to us, our management, our employees, our suppliers, our distributors or our customers and the doctors using our platform. Such negative publicity may indirectly and adversely affect our reputation and business operations. In addition, incidents not related to product quality or safety, or other negative publicity or scandals implicating us or our employees, regardless of merit, may also have an adverse impact on us and our reputation and corporate image.

Our failure to comply with anti-corruption laws and regulations, or effectively manage our employees, flexible staff, distributors, marketplace sellers and affiliates, could severely damage our reputation, and materially and adversely affect our business, financial condition, results of operations and prospects.

We are subject to risks in relation to actions taken by us, our employees, flexible staff, distributors, marketplace sellers and affiliates that constitute violations of anti-corruption laws and regulations. There have been numerous instances of corrupt practices in the pharmaceutical industry, including, among other things, receipts of kickbacks, bribes or other illegal gains or benefits by pharmacies, hospitals and medical practitioners from manufacturers, distributors and retail pharmacies in connection with the supply of pharmaceutical products. While we have adopted strict internal procedures and work closely with relevant government agencies to ensure compliance of our business operations with relevant laws and regulations, our efforts to control these risks may not be sufficient to ensure that we comply with relevant laws and regulations at all times. If we, our employees, flexible staff, distributors, marketplace sellers or affiliates violate these laws, rules or regulations, we could be subject to fines and/or other penalties, including criminal liability. The products involved may be seized and our operations may be suspended. Actions by PRC regulatory authorities or the courts to provide an interpretation of PRC laws and regulations that differs from our interpretation or to adopt additional anti-bribery or anti-corruption related regulations could also require us to make changes to our operations. Our reputation, corporate image, and business operations may be materially and adversely affected if we fail to comply with these measures or become the target of any negative publicity as a result of actions taken by us, our employees, flexible staff, distributors, marketplace sellers or affiliates, which may in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be subject to penalties or disputes for failure to manage the multi-site practices of doctors using our platform.

The practice of doctors is strictly regulated under PRC laws, rules and regulations. Doctors who practice at medical institutions must hold practicing licenses and may only practice within the scope of their licenses and at the specific medical institutions as stated in their licenses. A doctor is required to register the medical institutions at which he or she practices in his or her license. If a doctor is found to be practicing at a medical institution not registered in his or her license, the doctor would be subject to regulatory penalties, which range from warning to suspension of practice and, in the worst-case scenario, revocation of licenses. A doctor practicing in multiple institutions must apply to register or file with competent in-charge administrative authorities and can only have the right to prescribe medicine at the registered or filed practicing institution. If a doctor issues a prescription in a medical institution not registered in his or her license, the relevant medical institution would also be subject to regulatory penalties, including a fine of up to RMB5,000 and, in the worst-case scenario, revocation of the medical institution's Practicing License for Medical Institutions.

We cannot assure you that the doctors on our platform will complete the registration and relevant government procedures in a timely manner, or at all, or that they will not practice outside the permitted scope of their respective licenses. Our failure to properly manage the registration of doctors on our platform may subject us to administrative penalties against our medical institution, including fines, or, in the worst-case scenario, revocation of our Practicing License for Medical Institutions, any of which could materially and adversely affect our business. If doctors on our platform are found to have deficient registration or found to be practicing beyond the scope permitted by relevant authorities, they may be disciplined and lose their practicing licenses. In the event that the multi-site practices of doctors on our platform are in breach of their contractual obligations owed to other institutions, such as non-compete obligations, we may be exposed to indemnity or other legal liabilities if we are deemed to have aided in these breaches, and are therefore susceptible to legal disputes and potential damages.

During the Track Record Period, three of the doctors registered on our platform were found to practice beyond the permitted practice scope or without sufficient qualification. The penalties therefor were immaterial to our business. As of the Latest Practicable Date, we have implemented policies to ensure registered doctors are permitted to issue the prescription and our practicing in-house doctors to register our medical institution in their licenses as required under the relevant PRC regulations. For example, doctors registered with us are required to comply with both our specified work scope and quality requirements as well as applicable rules and regulations. Doctors on our platform are required to provide evidence of their professional qualifications. In particular, doctors can only issue prescriptions on our platform if they have completed multi-site practice registration with local doctors' administration authorities and we have verified such registration. We and our registered doctors enter into service agreements, pursuant to which our registered doctors provide users with online consultation services subject to relevant rules and regulations. See "Business — Our Mobile Application for Doctors." Nevertheless, there can be no assurance that all of such medical professionals will strictly abide by these policies and that the relevant

healthcare administrative authorities would not retrospectively find deficiency in the registration of these medical professionals and subject the relevant medical professionals and/or us to penalties, which could materially and adversely affect our business.

We may be held liable for information or content displayed on, retrieved from or linked to our mobile applications or Weixin mini programs, which may materially and adversely affect our business and operating results.

We offer chronic condition management services to individual users through our mobile applications and Weixin mini programs, which are regulated by the Administrative Provisions on Mobile Internet Applications Information Services, or the APP Provisions, promulgated by the CAC on June 28, 2016 and which became effective on August 1, 2016. According to the APP Provisions, the providers of mobile applications shall not create, copy, publish or distribute information and content that is prohibited by laws and regulations. Furthermore, specific obligations need to be followed by app providers such as identification certification of users, establishment of mechanism for users' information protection and the verification and management of information contents, safeguarding users' personal information as well as the record of users' log.

We have implemented internal control procedures screening the information and content on our mobile applications and mini programs to ensure their compliance with the APP Provisions. However, we cannot assure you that all the information or content displayed on, retrieved from or linked to our mobile applications or mini programs complies with the requirements of the APP Provisions at all times. If our mobile applications or mini programs were found to violate the APP Provisions, we may be subject to administrative penalties, including warning, service suspension or removal of our mobile applications or mini programs, which may materially and adversely affect our business and operating results.

Our promotional activities carried out in digital marketing services may be subject to regulatory restrictions.

In performing digital marketing services to promote pharmaceutical products, we conduct various promotional activities including visiting medical institutions and other activities such as market research and insight collection, promotional meetings and academic communications. The National Medical Products Administration of the PRC, or the NMPA, promulgated the Administrative Measures for the Record-filing of Pharmaceutical Representatives (for Trial Implementation) on September 22, 2020, which became effective on December 1, 2020 and provides that professionals who engage in communications and feedback about pharmaceutical products on behalf of marketing authorization holders are pharmaceutical representatives, that information of pharmaceutical representatives needs to be timely filed and maintained on a record-filing platform designated by the NMPA, and that those who have not completed such filings may not visit medical institutions to carry out academic promotion and other related activities. We are not a marketing authorization holder and we do not consider our personnel engaging in such promotional activities pharmaceutical representatives. However, we cannot

guarantee that they will not be deemed pharmaceutical representatives due to future regulatory changes, implementations or interpretations. In such event, failure to conduct the required record-filing may restrain our ability to continue to conduct promotional activities, which may have a material and adverse effect on our business, financial condition, results of operations and prospects.

The growth and activity of our customers and users on mobile devices depend upon effective use of mobile operating systems, networks and standards that we do not control.

Customers and users can access our platform and solution through mobile devices. To optimize their mobile experience, we are dependent on our customers and users downloading the specific mobile apps for their particular devices. As new mobile devices and platforms are released, it is difficult to predict the problems we may encounter in developing apps for these alternative devices and platforms, and we may need to devote significant resources to the development, support and maintenance of such apps. In addition, our future growth and results of operations could suffer if we experience difficulties in the future in integrating our mobile apps into mobile devices or if problems arise with our relationships with providers of mobile operating systems or mobile app stores, if our apps receive unfavorable treatment compared to competing apps at app stores, or if we face increased costs to distribute or have customers use our mobile apps.

In the event that it becomes more difficult for our customers and users to access and use our platform and solution on their mobile devices, or if our customers and users choose not to access or use our platform and solution on their mobile devices or to use mobile products that do not offer access to our platform and solution, our customer and user growth could be harmed and our business, financial condition and results of operations may be adversely affected.

Failure to renew our current leases or locate desirable alternatives for our facilities could materially and adversely affect our business.

We lease properties for our offices and fulfillment centers. We may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. In addition, as of the Latest Practical Date, the lessors of certain of our leased properties failed to provide us with the valid building ownership certificate, our use of these leased properties may be affected by third parties' claims or challenges against those leases we have. If the lessors of the leased properties do not have the requisite rights to lease the relevant properties, these lease agreements may be deemed to be invalid, and as a result, we may be required to vacate the relevant properties. In this event, our business may be adversely affected. The actual usage of some of our leased properties is not consistent with the approved usage. According to applicable laws and regulations, unauthorized change of the usage of properties or land may result in fines on the property owner, as a result, our relevant lease agreements may be deemed invalid, which may in turn interrupt our use of such

leased properties. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our facilities as our business continues to grow and failure in relocating our affected operations could adversely affect our business and operations.

We rely on assumptions and estimates to calculate certain key operating metrics, and inaccuracies in such metrics may harm our reputation and adversely affect our business.

Certain of our key operating metrics, such as respective numbers of hospitals and pharmacies that installed our SaaS products and paying individual users in this document are calculated using our internal data that have not been independently verified by third parties. While these numbers are based on what we believe to be reasonable calculations for the applicable periods of measurement, there are inherent challenges in measuring usage and user engagement across our large user base. In addition, our key operating metrics are derived and calculated based on different assumptions and estimates, and you should be cautious of such assumptions and estimates when assessing our operating performance.

Our measures may differ from estimates published by third parties or from similarly titled metrics used by our competitors due to differences in data availability, sources and methodology. If third parties do not perceive our metrics to be accurate representations of our performance, or if we discover material inaccuracies in our metrics, our reputation may be harmed and third parties may be less willing to allocate their resources or spending to us, which could adversely affect our business and operating results.

We have granted, and may continue to grant, share incentives, which may result in increased share-based compensation expenses and negatively impact our results of operations.

We adopted a share incentive scheme in August 2015, or the **[REDACTED]** Equity Incentive Scheme, to provide additional incentives to qualified directors and employees. As of the date of this document, the maximum aggregate number of Shares which may be issued under the **[REDACTED]** Equity Incentive Scheme is 84,254,735 Shares. For the years ended December 31, 2019, 2020 and 2021, we incurred equity-settled share-based payment expenses of RMB39.0 million, RMB207.2 million, and RMB222.6 million, respectively. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel, and we will continue to grant share-based compensation to our employees. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

Our business depends on the continued efforts of our senior management and key personnel. If one or more of our key executives and senior management personnel were unable or unwilling to continue in their present positions, our business may be severely disrupted.

Our future success depends heavily upon the continued services of our senior executives, key research and development personnel and key sales and marketing personnel. In particular, we rely on the expertise and experience of our founder, Mr. Kuang Ming, to lead us in continuously innovating our solutions and business model. Our research and development team is critical to the development of proprietary technologies used by our solutions, services and platform, and realization of the potential benefits of our intellectual property. In addition, success in the distribution of our solutions depends on the dedication and skills of our sales and marketing personnel. Accordingly, our ability to attract and retain key personnel is a critical factor in our competitiveness. Competition for these individuals could require us to offer higher compensation and other benefits in order to attract and retain them, which could increase our operating expenses and, in turn, materially and adversely affect our financial condition and results of operations. If we are unable to attract or retain the personnel required to achieve our business objectives, our business could be severely disrupted.

We do not maintain key-person insurance for members of our management team. If we lose the services of any senior management, we may not be able to identify suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and prospects and prolong our expansion strategies and plans. Furthermore, if any of our executive officers joins a competitor or forms a competing company, we may lose a significant number of our existing pharmacy customers and consumers and potentially lose our substantial research and development achievements, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Competition for employees is intense, and we may not be able to attract, train and retain the qualified and skilled employees needed to support our business.

We believe our success depends on the efforts and talent of our employees, including medical professionals, risk management, software engineering, financial and marketing personnel. Our future success depends on our continued ability to attract, develop, motivate and retain qualified and skilled employees. Competition for highly skilled technical, risk management and financial personnel is extremely intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Some of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment.

In addition, we invest significant time and expenses in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training new employees, and the quality of our services and our ability to serve various participants in the pharmaceutical value chain could decline, resulting in a material adverse effect to our business.

We, our directors, management and employees may from time to time become party to litigation, regulatory investigations, other legal or administrative disputes and proceedings that may materially and adversely affect us.

In the course of our ordinary business operations, we, our directors, management and employees may from time to time become a party to litigation, legal proceedings, claims, disputes or arbitration proceedings. Any ongoing litigation, legal proceedings, claims, disputes or arbitration proceedings may distract our senior management's attention and consume our time and other resources. In addition, even if we, our directors, management and employees ultimately succeed in such litigation, legal proceedings, claims, disputes or arbitration proceedings, there may be negative publicity attached to such litigation, legal proceedings, claims, disputes or arbitration proceedings, which may materially and adversely affect our reputation and brand names. In the case of an adverse verdict, we may be required to pay significant monetary damages, assume significant liabilities or suspend or terminate parts of our operations. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected. As a **[REDACTED]** company, we will face additional exposure to claims and lawsuits. For example, one of our **[REDACTED]** Investors has raised concerns about the processes we followed in the amendment of certain terms of our Articles and shareholders agreement in connection with the **[REDACTED]**, including but not limited to terminating certain special rights applicable to the **[REDACTED]** Investors prior to the **[REDACTED]**. Please refer to "History, Reorganisation, and Corporate Structure — **[REDACTED]** Investments — Special rights of the **[REDACTED]** Investors." This **[REDACTED]** Investor has alleged (1) that the steps taken during our shareholders' meeting on May 29, 2022 were done in breach of our existing articles of association and the documents governing the **[REDACTED]** Investor's investment agreements and (2) that our Directors' actions in this regard were in breach of their duties. We believe that the **[REDACTED]** Investor's concerns have been fully addressed by actions that our Company took, including actions taken in a subsequent shareholders' meeting on June 10, 2022. Our Hong Kong and Cayman Islands counsel have advised us that the actions taken were effective and in compliance with applicable law, for the Hong Kong law-governed agreements related to the **[REDACTED]** Investor's investments and the Cayman Islands law issues related to our existing articles of association, respectively. A **[REDACTED]** Investor could, nevertheless, take actions against us, any of our shareholders, and/or our Directors, and any such complaints, even if groundless, could nevertheless affect the **[REDACTED]** of our shares and could substantially divert the attention of our management and Directors.

We may not be able to detect or prevent fraud or other misconduct committed by our employees or third parties.

Fraud or other misconduct by our employees, such as unauthorized business transactions, bribery and breach of our internal policies and procedures, unauthorized access to or leakage of the data of our consumers and pharmacy customers, or by third parties, such as breach of law, may be difficult to detect or prevent. These types of incidents could subject us to financial loss and sanctions imposed by governmental authorities while seriously damaging our reputation. They may also impair our ability to effectively attract prospective users, develop customer loyalty, obtain financing on favorable terms and conduct other business activities.

In particular, we may face risks with respect to fictitious or other fraudulent activities. There can be no assurance that the measures we have implemented to detect and reduce the occurrence of fraudulent activities would be effective in combating fraudulent transactions or improving overall satisfaction among our customers and users. Pharmacies selling chronic condition products on our platform may also engage in fictitious or "phantom" transactions with themselves or collaborators in order to artificially inflate their ratings, reputation and search results rankings.

Our risk management systems, information technology systems and internal control procedures are designed to monitor our operations and overall compliance. However, we may be unable to identify non-compliance or suspicious transactions promptly, or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct committed by our employees, platform participants or other third parties, and the precautions we take to prevent and detect such activities may not be effective. Therefore, we are subject to the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. This may materially and adversely affect our business, financial condition and results of operations.

Risks Related to Our Corporate Structure

If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC laws and regulations relating to the relevant industries, or if these laws and regulations or the interpretation of existing laws and regulations change in the future, we could be subject to severe penalties, be forced to relinquish our interests in those operations.

Foreign ownership in entities that provide value-added telecommunication services, including online chronic data service and drug and medical device sales platform, internet hospital and other services related thereto, and insurance brokerage services, is subject to restrictions under current PRC laws and regulations, and even governing practice of competent PRC governmental authority, unless certain exceptions are available. For example, foreign ownership of a value-added telecommunication service provider may not exceed 50%, except for the investment in the e-commerce operation business, a domestic multi-party communication business, an information storage and re-transmission business and a call center business, and the major foreign investors are required to have a record of good performance and operating experience in managing value-added telecommunications business. In addition, foreign ownership in medical institutions is also subject to restrictions under PRC laws and regulations. According to the negative list, medical institutions fall into the "restricted" investment category and foreign ownership of a medical institutions, in our case internet hospitals, may not exceed 70% according to the Provisional Measures for the Administration of Medical Institutions in the Form of Sino-foreign Equity or Contractual Joint Venture, whereas certain local competent PRC governmental authority may not permit foreign investors to hold any equity interest in internet hospital in practice.

We are a Cayman Islands exempted company and our PRC subsidiaries wholly owned by us are considered wholly foreign owned enterprises. To ensure compliance with the PRC laws and regulations, we conduct our foreign investment-restricted business in China through our

Consolidated Affiliated Entities, which currently hold the value-added telecommunication business license and other licenses necessary for our operation of such restricted business. 91health Hangzhou has entered into a series of contractual arrangements with Hangzhou Kangming and the Registered Shareholders, respectively, which enable us to:

- exercise effective control over our Consolidated Affiliated Entities;
- receive substantially all of the economic benefits of our Consolidated Affiliated Entities, and bear the obligation to absorb substantially all of the losses of our Consolidated Affiliated Entities;
- have the pledge right over the equity interests in Hangzhou Kangming as the pledgee; and
- have an exclusive option to purchase all or part of the equity interests in Hangzhou Kangming when and to the extent permitted by PRC law.

As a result of these contractual arrangements, we have control over and are the primary beneficiary of our Consolidated Affiliated Entities and hence consolidate their financial results under IFRS. See "Contractual Arrangements" for further details.

In the opinion of our PRC Legal Advisor, Tian Yuan Law Firm, (i) the ownership structures of 91health Hangzhou and Hangzhou Kangming in China, both currently and immediately after giving effect to this **[REDACTED]**, are not in violation of provisions of applicable PRC laws and regulations currently in effect; and (ii) the Contractual Arrangements governed by PRC laws are not in violation of provisions of applicable PRC laws or regulations currently in effect, and valid and binding upon each party to such arrangements and enforceable against each party thereto in accordance with their terms and applicable PRC laws and regulations currently in effect. However, we have been further advised by our PRC Legal Advisor that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations. Thus, the PRC governmental authorities may take a view contrary to the opinion of our PRC Legal Advisor. It is uncertain whether any new PRC laws or regulations relating to Contractual Arrangements will be adopted or if adopted, what they would provide. If the ownership structure, contractual arrangements, and businesses of our PRC subsidiaries or our Consolidated Affiliated Entities are found to be in violation of any existing or future PRC laws or regulations, or our PRC subsidiaries or our Consolidated Affiliated Entities fail to obtain or maintain any of the required permits or approvals to operate our business, the relevant PRC governmental authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of such entities;

- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- discontinuing or placing restrictions or onerous conditions on the operations of our Consolidated Affiliated Entities;
- placing restrictions on our right to collect revenues;
- imposing additional conditions or requirements on our operations with which we may not be able to comply;
- shutting down our servers or blocking our app/websites;
- requiring us to restructure our ownership structure or operations; or
- taking other actions against us that adversely affect our business.

Any of these events could cause significant disruption to our business operations and severely damage our reputation, which would in turn have a material adverse effect on our financial condition and results of operations. If occurrences of any of these events results in our inability to direct the activities of our Consolidated Affiliated Entities in China that most significantly impact their economic performance and/or our failure to receive the economic benefits and residual returns from our Consolidated Affiliated Entities, and we are unable to restructure our ownership structure and operations in a satisfactory manner, we may not be able to consolidate the financial results of our Consolidated Affiliated Entities in our consolidated financial statements.

We rely on Contractual Arrangements to exercise control over a portion of our business, which may not be as effective as direct ownership in providing operational control.

Hangzhou Kangming, our VIE, was incorporated on December 11, 2020. See "History, Reorganisation, and Corporate Structure — Reorganisation." We rely on contractual arrangements with our VIE and its shareholders to conduct a portion of our operations in China, including value-added telecommunication services, internet hospitals and other internet related business. For a description of these contractual arrangements, see "Contractual Arrangements — Summary of the material terms of the Contractual Arrangements". These contractual arrangements, however, may not be as effective as direct ownership in providing us with control over our Consolidated Affiliated Entities. For example, Hangzhou Kangming and the Registered Shareholders could breach the Contractual Arrangements with us by, among other things, failing to conduct the

operations of Hangzhou Kangming in an acceptable manner or taking other actions that are detrimental to our interests. We may also incur substantial costs to enforce the terms of the Contractual Arrangements.

If we had direct ownership of Hangzhou Kangming, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of Hangzhou Kangming, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by Hangzhou Kangming and the Registered Shareholders of their obligations under the contracts to exercise control over Hangzhou Kangming. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. See "— Any failure by Hangzhou Kangming or the Registered Shareholders to perform their obligations under our Contractual Arrangements with them would have a material and adverse effect on our business." Therefore, our Contractual Arrangements may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

Any failure by Hangzhou Kangming or the Registered Shareholders to perform their obligations under our Contractual Arrangements with them would have a material and adverse effect on our business.

If Hangzhou Kangming or the Registered Shareholders fail to perform their respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the Registered Shareholders were to refuse to transfer their equity interests in Hangzhou Kangming to us or our designee when we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our Contractual Arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangements. See "— Risks Related to Doing Business in China — Uncertainties with respect to the PRC legal system could adversely affect us." Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated variable interest entity should be interpreted or

enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected.

The Registered Shareholders may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

The Registered Shareholders may have actual or potential conflicts of interest with us. These shareholders may breach, or cause Hangzhou Kangming to breach, or refuse to renew, the existing Contractual Arrangements we have with them and Hangzhou Kangming, which would have a material and adverse effect on our ability to effectively control Hangzhou Kangming and receive economic benefits from it. For example, the Registered Shareholders may be able to cause our agreements with Hangzhou Kangming to be performed in a manner adverse to us by, among other things, failing to remit payments due under the Contractual Arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of Registered Shareholders will act in the best interests of our Company or such conflicts will be resolved in our favor.

Currently, we have limited arrangements to address potential conflicts of interest between the Registered Shareholders and our Company. For individual who is also our director, we rely on him to abide by the laws of the Cayman Islands, which provide that director owes a fiduciary duty to the company that requires him to act in good faith and in what he believes to be the best interests of the company and not to use his position for personal gains. The Registered Shareholders have executed powers of attorney to appoint 91health Hangzhou or a person designated by 91health Hangzhou to vote on their behalf and exercise voting rights as shareholders of Hangzhou Kangming. If we cannot resolve any conflict of interest or dispute between us and the Registered Shareholders, we would have to rely on legal proceedings, which could result in disruption of part of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

The Registered Shareholders may be involved in disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in Hangzhou Kangming and the validity or enforceability of our Contractual Arrangements. For example, in the event that any of the Registered Shareholders divorces his spouse, the spouse may claim that the equity interest of

Hangzhou Kangming held by such Registered Shareholder is part of their community property and should be divided between such Registered Shareholder and his spouse. If such claim is supported by the court, the relevant equity interest may be obtained by the Registered Shareholder's spouse or another third party who is not subject to obligations under our Contractual Arrangements, which could result in a loss of the effective control over Hangzhou Kangming by us. Similarly, if any of the equity interests of Hangzhou Kangming is inherited by a third party with whom the current Contractual Arrangements are not binding, we could lose our control over Hangzhou Kangming or have to maintain such control by incurring unpredictable costs, which could cause significant disruption to part of our business and operations and harm our financial condition and results of operations.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a Cayman Islands holding company, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If any of these PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities may require our wholly foreign-owned subsidiaries in China or any other relevant PRC subsidiary to adjust its taxable income under the contractual arrangements it currently has in place with our VIE in a manner that would materially and adversely affect its ability to pay dividends and other distributions to us. See "— Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and they may determine that we or our Consolidated Affiliated Entities owe additional taxes, which could negatively affect our financial condition and the value of your **[REDACTED]**."

Under PRC laws and regulations, our wholly foreign-owned subsidiaries in China may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a PRC enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. At its discretion, a foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to an enterprise expansion fund, or a staff welfare and bonus fund.

Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. See also "— Risks Related to Doing Business in China — If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders."

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from making loans to our PRC subsidiaries and Consolidated Affiliated Entities or making additional capital contributions to our WFOE in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and Consolidated Affiliated Entities. We may make loans to our PRC subsidiaries and Consolidated Affiliated Entities subject to the approval from governmental authorities and limitation of amount, or we may make additional capital contributions to 91health Hangzhou in China.

Any loans to 91health Hangzhou in China, which is treated as a foreign-invested enterprise under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to 91health Hangzhou in China to finance its activities cannot exceed statutory limits, i.e., the difference between its total amount of investment and its registered capital, or certain amount calculated based on elements including capital or net assets and the cross-border financing leverage ratio or the Macro-prudential Management Mode, under relevant PRC laws, and the loans must be registered with the local counterpart of the State Administration of Foreign Exchange, or SAFE, or filed with SAFE in its information system. We may also provide loans to Consolidated Affiliated Entities or other domestic PRC entities under the Macro-prudential Management Mode. According to the Circular of the People's Bank of China and the State Administration of Foreign Exchange on Adjusting the Macro-prudent Adjustment Parameter for Cross-border Financing issued on March 11, 2020, the limit for the total amount of foreign debt under the Macro-prudential Management Mode is increased to two and a half times from two times of their respective net assets. Moreover, any medium or long-term loan to be provided by us to Consolidated Affiliated Entities or other PRC entities must also be registered with the NDRC and SAFE or its local branches.

We may also decide to finance 91health Hangzhou in China by means of capital contributions. These capital contributions shall go through record-filing procedures from competent administration for market regulation. SAFE issued the Circular on the Management Concerning the Reform of the Payment and Settlement of Foreign Currency Capital of

Foreign-Invested Enterprises, or SAFE Circular 19, which took effect on June 1, 2015. SAFE Circular 19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC provided that such usage shall fall into the scope of business of the foreign-invested enterprise, which will be regarded as the reinvestment of foreign-invested enterprise. In addition, SAFE promulgated the Circular Regarding Further Promotion of the Facilitation of Cross-Border Trade and Investment on October 23, 2019, or SAFE Circular 28, which took effect on the same day and pursuant to which all foreign-invested enterprises can make equity investments in the PRC with their capital funds in accordance with the law. As SAFE Circular 28 is new and the relevant government authorities have broad discretion in interpreting the regulation, it is unclear whether SAFE will permit such capital funds to be used for equity investments in the PRC in actual practice.

Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to the subsidiaries of 91health Hangzhou in China and our Consolidated Affiliated Entities, each a PRC domestic company. Meanwhile, we are not likely to finance the activities of our Consolidated Affiliated Entities by means of capital contributions given the restrictions on foreign investment in the businesses that are currently conducted by our Consolidated Affiliated Entities.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or record-filings on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or Consolidated Affiliated Entities or future capital contributions by us to 91health Hangzhou in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries or Consolidated Affiliated Entities when needed. If we fail to complete such registrations or record-filings, our ability to use foreign currency, including the **[REDACTED]** we received from our **[REDACTED]**, and to **[REDACTED]** or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and they may determine that we or our Consolidated Affiliated Entities owe additional taxes, which could negatively affect our financial condition and the value of your **[REDACTED].**

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. The PRC enterprise income tax law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions

that are inconsistent with arm's length principles. We may face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust the income of our Consolidated Affiliated Entities in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by our Consolidated Affiliated Entities for PRC tax purposes, which could in turn increase their tax liabilities without reducing our PRC subsidiaries' tax expenses. In addition, the PRC tax authorities may impose late payment fees and penalties on our Consolidated Affiliated Entities for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if our Consolidated Affiliated Entities' tax liabilities increase or if it is required to pay late payment fees and other penalties.

In addition, in certain past equity transfers of Consolidated Affiliated Entities with individual persons as the transferors, we did not file tax reports or withhold individual income taxes for their equity transfer incomes as required by the Administrative Measures for Personal Income Tax on Income from Equity Transfers (for Trial Implementation), which may subject us to regulatory sanctions including, among others, payment order and fines.

Our current corporate structure and business operations may be affected by the Foreign Investment Law.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law or the FIL, which became effective on January 1, 2020 and replaced the laws regulating foreign investment in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, as well their implementation rules and ancillary regulations. See "Regulatory Overview — Regulation Relating to Foreign Investment."

Meanwhile, the Implementation Rules to the PRC Foreign Investment Law came into effect on January 1, 2020, which clarified and elaborated the relevant provisions of the Foreign Investment Law. However, uncertainties still exist in relation to interpretation and implementation of the FIL, especially in regard to, including, among other things, the nature of consolidated affiliated entity contractual arrangements and specific rules regulating the organization form of foreign-invested enterprises within the five-year transition period. While FIL does not define contractual arrangements as a form of foreign investment explicitly, it has a catch-all provision under definition of "foreign investment" that includes investments made by foreign investors in the PRC through other means as provided by laws, administrative regulations or the State Council, we cannot assure you that future laws and regulations will not provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over our

Consolidated Affiliated Entities through Contractual Arrangements will not be deemed as foreign investment in the future. In the event that any possible implementing regulations of the FIL, any other future laws, administrative regulations or provisions deem contractual arrangements as a way of foreign investment, or if any of our operations through Contractual Arrangements is classified in the "restricted" or "prohibited" industry in the future "negative list" under the FIL, our Contractual Arrangements may be deemed as invalid and illegal, and we may be required to unwind the Contractual Arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Furthermore, under the FIL, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. In addition, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within a five-year transition period, which means that we may be required to adjust the structure and corporate governance of certain of our PRC subsidiaries in such transition period. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance, financial condition and business operations.

We may lose the ability to use and benefit from assets held by our Consolidated Affiliated Entities that are critical to the operation of our business if our Consolidated Affiliated Entities go bankrupt or become subject to dissolution or liquidation proceedings.

As part of our Contractual Arrangements, our Consolidated Affiliated Entities are or in the future may hold certain assets that are critical to the operation of our business, including intellectual property and premise and licenses of value-added telecommunication services or the Practice License of Medical Institution. If our Consolidated Affiliated Entities go bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities we currently conduct through the Contractual Arrangement, which could materially and adversely affect our business, financial condition and results of operations. Under the Contractual Arrangements, our Consolidated Affiliated Entities may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. In addition, if our Consolidated Affiliated Entities undergo a voluntary or involuntary liquidation proceeding, independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

If we exercise the option to acquire equity interest of Hangzhou Kangming, this equity interest transfer may subject us to certain limitations and substantial costs.

Pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, or the FITE Regulations, promulgated by the State Council in December 2001, as amended, foreign investors are not allowed to hold more than 50% of the equity interest of any company providing certain value-added telecommunications services. Foreign ownership in medical institutions is similarly subject to restrictions under PRC regulations. Currently no applicable PRC laws or regulations provides clear guidance or interpretation on these requirements and restrictions. We still face the risk of not satisfying the requirement promptly or violating any restrictions. If PRC laws change to allow foreign investors to invest in value-added telecommunications enterprises or medical institutions in the PRC, we may be unable to unwind our Contractual Arrangements before we are able to comply with the relevant requirements.

Pursuant to the Contractual Arrangements, 91health Hangzhou has the irrevocable and exclusive right to purchase all or any part of the relevant equity interest in Hangzhou Kangming from the Registered Shareholders at any time and from time to time in their absolute discretion to the extent permitted by PRC laws. The consideration 91health Hangzhou pays for such purchases will be RMB24,000,000, or when higher price is required by relevant government authorities or PRC laws, the purchase price shall be the lowest price that meets such requirement. This equity transfer may be subject to approvals from, filings with, or reporting to competent PRC authorities, such as the Ministry of Commerce, the Ministry of Industry and Information Technology, the State Administration of Market Regulation, and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authorities. The equity transfer price to be received by Hangzhou Kangming under the Contractual Arrangements may also be subject to enterprise income tax, and these amounts could be substantial.

If the chops of our PRC subsidiaries or Consolidated Affiliated Entities are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised.

In China, a company chop or seal serves as the legal representation of the company towards third parties even when unaccompanied by a signature. Each legally registered company in China is required to maintain a company chop, which must be registered with the local Public Security Bureau. In addition to this mandatory company chop, companies may have several other chops which can be used for specific purposes. The chops of our PRC subsidiaries or Consolidated Affiliated Entities are generally held securely by personnel designated or approved by us in accordance with our internal control procedures. To the extent those chops are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance

of these entities could be severely and adversely compromised and those corporate entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so. In addition, if the chops are misused by unauthorized persons, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations.

Risks Related to Doing Business in China

Changes in China's or global economic, political or social conditions or government policies could have a material and adverse effect on our business and operations.

Substantially all of our operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments.

In addition, the global macroeconomic environment is facing challenges. For example, the COVID-19 pandemic has caused significant downward pressure for the global economy. In addition, the impact of the United Kingdom's withdrawal from the European Union, commonly

referred to as "Brexit", and the resulting effect on the political and economic future of the U.K. and the European Union is uncertain. Brexit could adversely affect European and worldwide economic and market conditions, and could contribute to instability in global financial and foreign exchange markets. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term.

Uncertainties with respect to the PRC legal system could adversely affect us.

We conduct our business primarily through our PRC subsidiaries and our VIE in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries and our VIE in China are subject to laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. The PRC legal system is evolving rapidly, and the interpretation of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations. Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations.

We are subject to PRC laws and regulations that could require us to modify our current business practices and incur increased costs.

We are subject to extensive national, provincial and local governmental regulations, policies and controls. Central governmental authorities and provincial and local authorities and agencies regulate many aspects of Chinese industries, including, among others and in addition to specific industry-related regulations, the following aspects: (i) operation of online medical service platforms; (ii) services for hospitals and pharmacies; (iii) provision of medical product supply

chain solutions and retail services; (iv) environmental laws and regulations; (v) security laws and regulations; (vi) establishment of or changes in shareholder of foreign investment enterprises; (vii) foreign exchange; (viii) taxes, duties and fees; and (ix) customs.

The liabilities, costs, obligations and requirements associated with these laws and regulations may cause interruptions to our operations or impact our financial position and results of operations. Failure to comply with the relevant laws and regulations in our operations may result in various penalties, including, among others the suspension of our operations and thus adversely and materially affect our business, prospects, financial condition and results of operations. Additionally, there can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with such laws or regulations may require us to incur material capital expenditures or other obligations or liabilities. Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

Any failure or perceived failure by us to comply with the anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.

The PRC anti-monopoly enforcement agencies have in recent years strengthened enforcement under the PRC Anti-monopoly Law. In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the MOFCOM, the NDRC and the SAIC, respectively. Since its inception, the SAMR has continued to strengthen anti-monopoly enforcement. On December 28, 2018, the SAMR issued the Notice on Anti-monopoly Enforcement Authorization, which grants authorities to its province-level branches to conduct anti-monopoly enforcement within their respective jurisdictions. On September 11, 2020, the Anti-monopoly Commission of the State Council issued Anti-monopoly Compliance Guideline for Operators, which requires, under the PRC Antimonopoly Law, operators to establish anti-monopoly compliance management systems to prevent anti-monopoly compliance risks. On February 7, 2021, the Anti-monopoly Commission of the State Council issued the Anti-monopoly Guide of the Anti-monopoly Commission of the State Council for the Platform Economy Sector (the "**Anti-monopoly Guide**"), which regulates the abuse of a dominant position and other anti-competitive practices of online platforms.

Pursuant to Section 19 of the PRC Anti-monopoly Law, a market participant that has more than 50% of the market share in a relevant market is presumed to have a dominant position in that market. The markets that we operate in are new and rapidly developing with a large number of

participants focusing on different aspects of the markets and constantly attracting new participants, which mitigates the risk of violating the Anti-monopoly Guide for the industry participants. We also believe that the regulatory environment in general has been favorable to the development of digital medical service market and our company. For example, in March 2020, the National Health Commission and National Healthcare Security Administration issued Guidance on the Development of "Internet+" Medical Insurance Services During the Prevention and Control of the New Coronavirus Outbreak which permitted doctors to provide online prescriptions for insured patients. Patients are allowed to collect medicine through various online channels for offline delivery. In September 2019, National Development and Reform Commission carried out Action Plan for Promoting High Quality Development of Health Industry (2019-2022) which encouraged online prescription service and third-party distribution of drugs and accelerated the development of online retail pharmacy industry by supporting pharmaceutical delivery services. However, as there are significant uncertainties with respect to the interpretation and enforcement of anti-monopoly regulations, we may in the future receive greater scrutiny and attention from regulators and more frequent and stringent investigation or review by regulators, which will increase our compliance costs, and it could be time-consuming to comply with the relevant regulations described above.

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.

The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas listing of securities in a PRC company obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles. Our PRC Legal Advisor is of the opinion that prior CSRC approval under the M&A Rules for this **[REDACTED]** is not required because our foreign-invested enterprises were incorporated as foreign-invested enterprises without involving acquisition of the equity or assets of a "PRC domestic company," especially a PRC company owned by beneficial owners who are PRC companies or individuals, as such term is defined under the M&A Rules. However, we cannot assure you that the relevant PRC government authorities, including the CSRC, will reach the same conclusion as our PRC Legal Advisor, and in such event we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities.

In addition, on December 24, 2021, the CSRC promulgated the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) and the Administrative Measures for the Filing of Overseas Securities

Offering and Listing by Domestic Companies (Draft for Comments) (collectively, the "**Drafts for Comments**"), which, among others, require certain companies to fulfill a filing procedure in respect of their offering and listing on overseas stock markets if such companies satisfy the criteria set forth in the Drafts for Comments. As the Drafts for Comments were released only for public comment, the final version and the effective date thereof may be subject to change with substantial uncertainty. The Drafts for Comments do not include detailed requirements relating to the form and substance of the documents to be filed, and the CSRC may subsequently formulate and publish guidelines in this regard. For more details, see "Regulatory Overview — Regulations Relating to Overseas Offering and Listing by Domestic Companies."

If the CSRC or other relevant PRC government authorities subsequently determine that prior CSRC approval, filing or other procedures is required, we cannot assure you that we can obtain the required approval or complete the required filings or other regulatory procedures in a timely manner, or at all. Any failure to obtain the relevant approval or complete the filings and other relevant regulatory procedures may subject us to regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities, which may have material adverse effect on our business, operation or financial conditions. Consequently, if you engage in market **[REDACTED]** or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

Failure to pay the social insurance and housing provident funds for any on behalf of our employees in accordance with the Labor Contract Law or comply with other PRC regulations may have an adverse impact on our financial conditions and results of operation.

PRC companies are required to pay for their employees' social insurance (in most cases including pension insurance, unemployment insurance, medical insurance, work-related injury insurance and maternity insurance) and housing provident funds in amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business.

According to the applicable PRC laws and regulations, an employer must open social insurance registration account and housing provident funds account and pay social insurance and housing provident funds for its employees. During the Track Record Period, some of our PRC subsidiaries engaged a third-party human resources agency in paying social insurance and housing provident funds for certain of our employees mainly to provide such payments for certain of our local sales and marketing personnel based in various cities. As of the Latest Practicable Date, the human resources agency has fully paid insurance premiums and housing provident funds according to the relevant agreements between us and relevant laws and regulations. The human resources agency also confirmed that if it failed to pay the insurance premium and housing provident funds

due to its fault, or if we are subject to any penalty due to any non-payment arising from its default, the human resources agency would compensate us for the losses incurred. However, pursuant to applicable PRC laws and regulations, we are required to pay social insurance and housing provident funds for our employees under our own accounts instead of through third-parties, and our contributions of social insurance and housing provident funds made through third-parties may not be viewed as contributions made by us. As a result, we may be required to pay these amounts, and we could be further subject to late payment penalties or enforcement applications. In addition, as of the Latest Practicable Date, none of these subsidiaries had received any administrative penalty or labor arbitration application from employees for its agency arrangement with the third-party human resources agency.

As the interpretation and implementation of labor laws and regulations are still evolving, we cannot assure you that our employment practice policy would at all times be deemed as in full compliance with labor-related laws and regulations in the PRC, which might subject us to labor disputes or governmental investigations, which might adversely affect our financial condition and operation.

We may be required to register our operating offices outside of our registered addresses as branch offices under PRC law.

Under PRC law, a company setting up premises for business operations outside its registered address must register them as branch offices with the relevant local market regulation bureau at the place where the premises are located and obtain business licenses for them as branch offices. We may not be able to register branch offices in a timely manner due to complex procedural requirements and relocation of branch offices from time to time. If the PRC regulatory authorities determine that we are in violation of the relevant laws and regulations, we may be subject to penalties, including fines, confiscation of income and suspension of operation. If we become subject to these penalties, our business, results of operations, financial condition and prospects could be materially and adversely affected.

***Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your* [REDACTED].**

The conversion of RMB into foreign currencies, including Hong Kong dollars and U.S. dollars, is based on rates set by the People's Bank of China. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollars, the U.S. dollar or other currencies in the future. The value of RMB against the Hong Kong dollars, U.S. dollar and other currencies is affected by changes in China's political and economic

conditions and by China's foreign exchange policies, among other things. We cannot assure you that RMB will not appreciate or depreciate significantly in value against Hong Kong dollars and the U.S. dollar in the future.

We conduct our businesses mainly in RMB. Any significant appreciation or depreciation of RMB may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares. For example, to the extent that we need to convert Hong Kong dollars and U.S. dollars we receive into RMB to pay our operating expenses, appreciation of RMB against the Hong Kong dollars and the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of RMB against the Hong Kong dollars and the U.S. dollar may significantly reduce the Hong Kong dollars or the U.S. dollar equivalent of our earnings, which in turn could adversely affect the **[REDACTED]** of our Shares.

To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your **[REDACTED]**.

***Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your* [REDACTED].**

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under our current corporate structure, our Company in the Cayman Islands may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our wholly foreign-owned subsidiaries in China are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by our shareholders or the ultimate shareholders of our corporate shareholders who are PRC residents. However, approval from or registration with appropriate government authorities or delegated banks is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign

currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

PRC regulations and rules concerning mergers and acquisitions including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds famous trademarks or PRC time-honored brands.

Moreover, the Anti-Monopoly Law requires that the antitrust governmental authority shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. On February 7, 2021, the Anti-Monopoly Committee of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《關於平臺經濟領域的反壟斷指南》), which stipulates that any concentration of undertakings involving variable interest entities (VIE structure) shall fall within the scope of anti-monopoly review. If a concentration of undertakings meets the criteria for declaration as stipulated by the State Council, an operator shall report such concentration of undertakings to the anti-monopoly law enforcement agency under the State Council in advance. Therefore, our acquisitions of other entities that we have made before or make in the future (whether by ourselves, our subsidiaries or through our variable interest entities) and that meets the criteria for declaration, may be required to be reported to and approved by the anti-monopoly law enforcement agency.

It has been long debated whether transactions involving internet companies with a VIE structure are subject to prior filing of notification requirements since filing of notification of concentration of undertaking made by couples of Internet companies involving a VIE structure were not accepted in the past. Due to such regulatory history in the industry and as a matter of common industry practice in the past, we did not file notification with the anti-monopoly law enforcement authority (i.e. SAMR) for historical acquisitions prior to the implementation. In November 2020, the draft Anti-Monopoly Guidelines for the Internet Platform Economy Sector, for the first time, expressly included concentrations involving a VIE structure within the ambit of

SAMR's merger control review if the reporting thresholds are triggered. Furthermore, in December 2020, SAMR has, for the first time, formally penalized three internet companies with VIE structures for failure to file prior notifications of implementing concentrations. As of the date of this document, we have not received inquiries or been subject to investigations or penalties for not filling notifications with SAMR. If we were found to be in non-compliance with the relevant laws and regulations, as advised by our PRC Legal Adviser, we could be subject to penalties including a fine of up to RMB500,000 for the failure to file prior notification for an acquisition, and in extreme case being ordered to terminate the contemplated concentration, to dispose of our equity or asset within a prescribed period, to transfer our business within a prescribed time or to take any other necessary measures to return to the pre-concentration status.

In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. These laws and regulations are continually evolving as newly enacted Foreign Investment Law took effect. On December 19, 2020, the Measures for the Security Review for Foreign Investment was jointly issued by NDRC and MOFCOM and took effect from January 18, 2021. The Measures for the Security Review for Foreign Investment specified provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts or other relevant government agencies may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises "national defense and security" or "national security" concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our wholly foreign-owned subsidiaries in China to liability or penalties, limit our ability to inject capital into these subsidiaries, limit these subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

The Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or SAFE Circular 75, requires PRC residents to register with the relevant local branch of SAFE before establishing or controlling any company outside of China, referred to as an offshore special purpose company, for the purpose of raising funds from overseas to acquire or exchange the assets of, or acquiring equity interests in, PRC entities held by such PRC residents and to update such registration in the event of any significant changes with respect to that offshore company. SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014, which replaced SAFE Circular 75. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of the special purpose vehicle, such as changes in a PRC resident individual shareholder, name or operation period; or any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions. In February 2015, SAFE issued the Circular of the SAFE on Further Simplifying and Improving the Policies Concerning Foreign Exchange Control on Direct Investment, or SAFE Circular 13, which took effect on June 1, 2015. SAFE Circular 13 has delegated to the qualified banks the authority to register all PRC residents' investment in "special purpose vehicle" pursuant to SAFE Circular 37,

except that those PRC residents who have failed to comply with SAFE Circular 37 will remain to fall into the jurisdiction of the local SAFE branch and must make their supplementary registration application with the local SAFE branch.

If our shareholders or beneficial owners who are PRC residents do not complete their registration or change of the registration with the local SAFE branches or qualified local banks or complete annual filing of its existing rights under offshore direct investment, our PRC subsidiaries may be prohibited from distributing to us its profits and proceeds from any reduction in capital, share transfer or liquidation, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions. We have requested PRC residents who we know hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required under SAFE Circular 37 and other related rules. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our Company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, limit the ability of our wholly foreign-owned subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, issued by SAFE in February 2012, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We and our directors, executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who

have been granted restricted shares, restricted share units or options are subject to these regulations. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit our ability to contribute additional capital into our wholly foreign-owned subsidiaries in China and limit these subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors and employees under PRC law.

In addition, the State Administration of Taxation, or the SAT has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

Our business benefits from certain government grants, financial incentives, tax refunds and other discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.

In the past, local governments in China granted certain financial incentives from time to time to our PRC subsidiaries or our VIE as part of their efforts to encourage the development of local businesses. In 2019, 2020 and 2021, we recognized RMB0.4 million, RMB3.1 million and RMB17.7 million of income from government grants in combined statements of profit or loss, respectively, which were non-recurring in nature. In addition, several COVID-19 related government policy support measures, such as relief of social security and waiver of toll charges, the exact magnitude of which cannot be quantified, have also contributed to the improvement our financial performance in 2020 and early 2021. According to the Announcement on Corporate Income Tax Policies for Promoting High-quality Development of the Integrated Circuit and Software Industries issued by the Ministry of Finance and other relevant authorities on December 11, 2020, key integrated circuit (IC) design enterprises and software enterprises encouraged by the State will be exempted from EIT during the first to the fifth year from the year they begin to make profits, and will be subject to a reduced EIT rate at 10% in the subsequent years.

On March 29, 2021, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance other relevant authorities issued the Notice on the Relevant Requirements for the Formulation of the List of Integrated Circuit Enterprises, Integrated Circuit Projects and Software Enterprises Entitled to Preferential Tax Policies, or the Notice. According to the Notice, enterprises applying for joining such list shall, in principle, submit their applications through the information system from March 25 to April 16

each year, and submit necessary supporting materials to competent Development and Reform Commission or the Ministry of Industry and Information Technology of all provinces, autonomous regions, municipalities directly under the Central Government, cities specifically designated in the state plan, and Xinjiang Production and Construction Corps for examination. Applicants are not be guaranteed preferential tax policies. The timing, amount and criteria of government financial incentives are often determined within the discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not have the ability to influence local governments in making these decisions. Local governments may decide to reduce or eliminate incentives at any time. We cannot assure you of the continued availability of the government incentives currently enjoyed by our PRC subsidiaries or our VIE. Any reduction or elimination of incentives would have an adverse effect on our results of operations.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the Enterprise Income Tax Law of the PRC, or the EIT Law, and its implementation rules, an enterprise established outside of the PRC with "de facto management body" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. On April 22, 2009, the State Administration of Taxation, or the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" text should be applied in determining the tax resident status of all offshore enterprises. If the PRC tax

authorities determine that we should be classified as a PRC resident enterprise for PRC tax purposes, our global income will be subject to income tax at a uniform rate of 25%, which may have a material adverse effect on our financial condition and results of operations. Notwithstanding the foregoing provision, the EIT Law also provides that, if a PRC resident enterprise directly invests in another PRC resident enterprise, the dividends received by the investing PRC resident enterprise from the invested PRC resident enterprise are exempted from income tax, subject to certain conditions. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company with indirect ownership interests in PRC resident enterprises through intermediary holding companies.

Moreover, if the PRC tax authorities determine that our Company is a PRC resident enterprise for PRC enterprise income tax purposes, gains realized on the sale or other disposal of our Shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises, or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. Any such tax may reduce the returns on your **[REDACTED]** in our Shares.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies, and heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

The SAT has issued several rules and notices to tighten the scrutiny over acquisition transactions in recent years, including the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued in December 2009, or SAT Circular 698, the Notice on Several Issues Regarding the Income Tax of Non-PRC Resident Enterprises promulgated issued in March 2011, or SAT Circular 24, and the Notice on Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-PRC Resident Enterprises issued in February 2015, or SAT Circular 7. Pursuant to these rules and notices, if a non-PRC resident enterprise indirectly transfers PRC taxable properties, referring to properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise, by disposing of equity interest in an overseas holding company, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC law: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary

enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC income tax on the direct transfer of such assets. Nevertheless, the indirect transfer falling into the safe harbor available under SAT Circular 7 may not be subject to PRC tax and the scope of the safe harbor includes qualified group restructuring as specifically set out in SAT Circular 7, public market trading and tax treaty exemptions.

In October 2017, the SAT released the Public Notice Regarding Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Public Notice 37, effective from December 2017. SAT Public Notice 37 replaced a series of important circulars, including but not limited to SAT Circular 698, and revised the rules governing the administration of withholding tax on China-source income derived by a non-resident enterprise. SAT Public Notice 37 provides for certain key changes to the current withholding regime, for example, the withholding obligation for a non-resident enterprise deriving dividend arises on the date on which the payment is actually made rather than on the date of the resolution that declared the dividends.

Under SAT Circular 7 and SAT Public Notice 37, the entities or individuals obligated to pay the transfer price to the transferor are the withholding agents and must withhold the PRC income tax from the transfer price if the indirect transfer is subject to the PRC enterprise income tax. If the withholding agent fails to do so, the transferor should report to and pay the tax to the PRC tax authorities. In the event that neither the withholding agent nor the transferor fulfills their obligations under SAT Circular 7 and SAT Public Notice 37, according to the applicable law, apart from imposing penalties such as late payment interest on the transferor, the tax authority may also hold the withholding agent liable and impose a penalty of 50% to 300% of the unpaid tax on the withholding agent. The penalty imposed on the withholding agent may be reduced or waived if the withholding agent has submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7. In certain past repurchases of shares, we did not file tax reports or withhold individual income taxes for such repurchase incomes as required by Bulletin 7, which may subject us to regulatory sanctions including, among others, payment order and fines.

However, as there is a lack of clear statutory interpretation, we face uncertainties on the reporting and consequences on future private equity financing transactions, share exchange or other transactions involving the transfer of shares in our Company by **[REDACTED]** that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our Company and other non-resident enterprises in our group may be

subject to filing obligations or being taxed if our Company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our Company and other non-resident enterprises in our group are transferees in such transactions. For the transfer of shares in our Company by **[REDACTED]** that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under the rules and notices. As a result, we may be required to expend valuable resources to comply with these rules and notices or to request the relevant transferors from whom we purchase taxable assets to comply, or to establish that our Company and other non-resident enterprises in our group should not be taxed under these rules and notices, which may have a material adverse effect on our financial condition and results of operations. There is no assurance that the tax authorities will not apply the rules and notices to our offshore restructuring transactions where non-PRC residents were involved if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-PRC resident **[REDACTED]** may be at risk of being taxed under these rules and notices and may be required to comply with or to establish that we should not be taxed under such rules and notices, which may have a material adverse effect on our financial condition and results of operations or such non-PRC resident **[REDACTED]** in us. We have conducted acquisition transactions in the past and may conduct additional acquisition transactions in the future. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

Our leasehold interests in leased properties have not been registered with the relevant PRC governmental authorities as required by relevant PRC laws. The failure to register leasehold interests may expose us to potential fines.

During the Track Record Period, we leased a number of properties for various functions. We have not registered our lease agreements with the relevant government authorities. Under the relevant PRC laws and regulations, we may be required to register and file with the relevant government authority executed leases. The failure to register the lease agreements for our leased properties will not affect the validity of these lease agreements, but the competent housing authorities may order us to register the lease agreements in a prescribed period of time and impose a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to complete the registration within the prescribed time frame. The maximum penalty that we may be liable in relation to the failure of registering lease agreements during the Track Record Period was approximately RMB570,000. See "Business — Properties and Facilities."

Risks Related to the [REDACTED]

There has been no* [REDACTED] *market for our Shares prior to the* [REDACTED]*, and you may not be able to resell our Shares at or above the* [REDACTED] *you pay, or at all.

Prior to the completion of the **[REDACTED]**, there has been no **[REDACTED]** for our Shares. There can be no guarantee that an active **[REDACTED]** market for our Shares will develop or be sustained after completion of the **[REDACTED]**. The **[REDACTED]** is the result of negotiations between our Company and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), which may not be indicative of the **[REDACTED]** at which our Shares will be **[REDACTED]** following completion of the **[REDACTED]**. The **[REDACTED]** of our Shares may drop below the **[REDACTED]** at any time after completion of the **[REDACTED]**.

The* [REDACTED] *of the Shares may be volatile which could result in substantial losses to you.

The **[REDACTED]** of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the **[REDACTED]** of other companies with business operations located mainly in China that have **[REDACTED]** their securities in Hong Kong may affect the volatility in the **[REDACTED]** of and **[REDACTED]** volumes for our Shares. A number of China-based companies have **[REDACTED]** their securities, and some are in the process of preparing for **[REDACTED]** their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their **[REDACTED]**. The trading performances of the securities of these companies at the time of or after their **[REDACTED]** may affect the overall investor sentiment towards China-based companies listed in Hong Kong and consequently may impact the **[REDACTED]** performance of our Shares. These broad market and industry factors may significantly affect the **[REDACTED]** and volatility of our Shares, regardless of our actual operating performance, and may result in losses on your **[REDACTED]** in our Shares.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our directors, executive officers and substantial shareholders, could adversely affect the* [REDACTED] *of our Shares.

Future sales of a substantial number of our Shares, especially by our directors, executive officers and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the **[REDACTED]** of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our substantial shareholders are subject to certain lock-up periods beginning on the date on which **[REDACTED]** in our Shares **[REDACTED]**. See "**[REDACTED]** — Lock-up Arrangements" for further details. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. In addition, certain existing shareholders of our Shares are not subject to lock-up agreements. **[REDACTED]** of Shares by such shareholders and the availability of these Shares for future sale may have negative impact on the **[REDACTED]** of our Shares. See "History, Reorganisation, and Corporate Structure — **[REDACTED]** Investments" for more details of the existing shareholders not subject to lock-up agreements.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the **[REDACTED]** of Shares is higher than the net tangible book value per share of our Shares immediately prior to the **[REDACTED]**, **[REDACTED]** of our Shares in the **[REDACTED]** will experience an immediate dilution. If we issue additional Shares in the future, **[REDACTED]** of our Shares in the **[REDACTED]** may experience further dilution in their shareholding percentage.

***We cannot assure you that we will declare and distribute any amount of dividends in the future and you may have to rely on* [REDACTED] *appreciation of our Shares for return on your* [REDACTED].**

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we have not yet adopted a dividend policy with respect to future dividends. Therefore, you should not rely on an **[REDACTED]** in our Shares as a source for any future dividend income.

Our board of directors has discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our Company may only pay dividends either out of profits or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts at they fall due in the ordinary course of business. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your **[REDACTED]** in our Shares will likely depend entirely upon any future **[REDACTED]** appreciation of our

Shares. There is no guarantee that our Shares will appreciate in value or even maintain the **[REDACTED]** at which you purchased the Shares. You may not realize a return on your **[REDACTED]** in our Shares and you may even lose your entire **[REDACTED]** in our Shares.

We have significant discretion as to how we will use the* [REDACTED] *of the* [REDACTED], *and you may not necessarily agree with how we use them.

Our management may use the **[REDACTED]** from the **[REDACTED]** in ways that you may not agree with or that do not yield favorable returns for our Shareholders. We plan to use the **[REDACTED]** from the **[REDACTED]** to expand our businesses, enhance our technology infrastructure and data insight, promote sales and marketing, conduct potential investments and acquisitions or strategic alliances. See "Future Plans and **[REDACTED]**" in this document. However, our management will have discretion as to our actual use of the **[REDACTED]**. You are entrusting your funds to our management, upon whose judgment you must depend for the specific uses we will make of the **[REDACTED]** from this **[REDACTED]**.

We are a Cayman Islands exempted company and, because judicial precedent regarding the rights of shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles and by the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority Shareholders may be located. See the section headed " Appendix III — Summary of the constitution of our Company and Cayman Islands company law." As a result of all of the above, minority Shareholders may enjoy different remedies when compared to the laws of the jurisdiction such shareholders are located in.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly the sections headed "Business" and "Industry Overview," contains information and statistics relating to the market in which we operate. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly

accessible and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the **[REDACTED]**, the **[REDACTED]**, the Joint Sponsors, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** or any other party involved in the **[REDACTED]**, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

***You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the* [REDACTED].**

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the **[REDACTED]**. Prior to the publication of this document, there has been press and media coverage regarding us and the **[REDACTED]**. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

There will be a time gap of several business days between* [REDACTED] *and* [REDACTED] *of our Shares* [REDACTED] *in the* [REDACTED]. *Holders of our Shares are subject to the risk that* [REDACTED] *of our Shares could fall during the period before* [REDACTED] *of our Shares begins.

The **[REDACTED]** of our Shares is expected to be determined on the **[REDACTED]**. However, our Shares will not **[REDACTED]** until they are delivered, which is expected to be five Hong Kong business days after the pricing date. As a result, **[REDACTED]** may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the **[REDACTED]** of our Shares could fall before **[REDACTED]** begins as a result of unfavorable market conditions, or other adverse developments, that could occur between the time of **[REDACTED]** and the time **[REDACTED]** begins.

In preparation for the **[REDACTED]**, we have sought the following waivers from strict compliance with the Listing Rules.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong. The Directors consider that the appointment of executive directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between the Stock Exchange and us by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange. At present, our two authorised representatives are Mr. Kuang, executive Director, chairman and chief executive officer of our Company, and Ms. Fung Wai Sum, joint company secretary of our Company;

(b) pursuant to Rule 3.20 of the Listing Rules, each Director will provide their contact information to the Stock Exchange and to the authorised representatives. This will ensure that the Stock Exchange and the authorised representatives should have means for contacting all Directors promptly at all times as and when required;

(c) we will endeavour to ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; and

(d) pursuant to Rules 3A.19 of the Listing Rules, we have retained the services of Anglo Chinese Corporate Finance, Limited as compliance adviser (the "**Compliance Adviser**"), who will act as an additional channel of communication with the Stock Exchange.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of The Hong Kong Chartered Governance Institute;

(ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles they played;

(ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Our Company appointed Ms. Liu Mengya and Ms. Fung Wai Sum as joint company secretaries. See "Directors and senior management — Joint company secretaries" for their biographies.

Ms. Fung Wai Sum is an associate member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom (formerly known as The Institute of Chartered Secretaries and Administrators), and therefore meets the qualification requirements under Rule 3.28 Note 1 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Our Company's principal business activities are outside Hong Kong. The Company believes that it would be in the best interests of the Company and the corporate governance of the Group to have as its joint company secretary a person such as Ms. Liu Mengya, who is an employee of the Company and who has day-to-day knowledge of the Company's affairs. Ms. Liu Mengya has the necessary nexus to the Board and close working relationship with management of the Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner.

Accordingly, we have applied for, [and the Stock Exchange has granted], a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the **[REDACTED]** on the conditions that (i) Ms. Liu Mengya must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the three-year period, and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. In addition, Ms. Liu Mengya will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the **[REDACTED]**. Our Company will further ensure that Ms. Liu Mengya has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an **[REDACTED]**. Before the end of the three-year period, the qualifications and experience of Ms. Liu Mengya and the need for on-going assistance of Ms. Fung Wai Sum will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Ms. Liu Mengya, having benefited from the assistance of Ms. Fung Wai Sum for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Rule 3.28 Note 2 of the Listing Rules so that a further waiver will not be necessary.

WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue, the Contractual Arrangements that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon **[REDACTED]**. Accordingly, we have applied to the Stock Exchange for, [and the Stock Exchange has granted], waivers from strict compliance with Chapter 14A of the Listing Rules. See "Connected transactions" for further details.

WAIVER IN RESPECT OF ACQUISITIONS AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountant's report to be included in a listing document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Acquisitions since the Track Record Period

Since the Track Record Period and up to the Latest Practicable Date, the Company has made or proposes to make the following acquisitions (the "**Acquisitions**"), the details of which are set out below:

Targets[2]	Consideration	Percentage of shareholding/ equity interest[1]	Principal business activities
	(approximately RMB million)		
Zhejiang Xiening Medicine Co., Ltd. (浙江協寧醫藥有限公司) ("**Zhejiang Xiening**") .	21.0	60%	Sales of pharmaceutical products and medical devices
Hangzhou Zhimin Pharmaceutical Chain Co., Ltd. (杭州致民醫藥連鎖有限公司) and Hangzhou Tongdaotang Pharmaceutical Co., Ltd (杭州同道堂大藥房有限公司) (together with Zhejiang Xiening, the "**Target Companies**")	23.6	100%	Sales of pharmaceutical products and medical devices

Notes:

(1) The percentage of shareholding/equity interest represents the Company's total pro forma shareholding in the Target Companies after the completion of the Acquisitions.

(2) To the best of our directors' knowledge, information and belief having made all reasonable enquiry, no connected person of the Company is an ultimate beneficial owner of any of the counterparties.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The Company has applied for, and the Hong Kong Stock Exchange [has granted], a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in respect of the Acquisitions on the following grounds:

The percentage ratios of the Acquisitions are all less than 5% by reference to the most recent fiscal year of the Company's Track Record Period

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules for the Acquisitions are all less than 5% by reference to the most recent fiscal year of the Company's Track Record Period.

Accordingly, the Company believes that the Acquisitions are not expected to result in, any significant changes to the Company's financial position since December 31, 2021, and all information that is reasonably necessary for the potential **[REDACTED]** to make an informed assessment of the Company's activities or financial position has been included in this document. As such, the Company considers that a waiver from compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the **[REDACTED]**.

Ordinary and usual course of business

The Company confirms that it makes strategic equity investments in sectors relating to its business as part of its ordinary and usual course of business and entered into the Acquisitions to gain access to the private hospitals and end customers of pharmaceutical chains in Zhejiang Province as part of its strategic expansion plan. The Company considers that such access to (i) the private hospitals will enable the Company to quickly expand its business into Zhejiang Province by reducing the time of business initiation process with private hospitals in that area as hospitals in that area generally have tight controls on new suppliers and (ii) the end customers of pharmaceutical chains will enable the Company to fully explore digitalization opportunities in pharmaceutical chain stores and convert the offline customers to online platform customers.

The historical financial information of the Target Companies fulfilling the disclosure requirement under Rule 4.04 of the Listing Rules would be unduly burdensome to obtain or prepare

It will require considerable time and resources for the Company and its reporting accountant to fully familiarize itself with the management accounting policies of the Target Companies and compile the necessary financial information and supporting documents for disclosure in the **[REDACTED]** of the Company. As such, it would be impracticable within the tight timeframe for the Company to disclose the audited financial information of the Target Companies as required under Rules 4.04(2) and 4.04(4) of the Listing Rules.

In addition, having considered the Acquisitions are immaterial and do not expect to have any material effect on the overall business, financial condition or operations of the Group, it would not be meaningful and would be unduly burdensome for the Company to prepare and include the financial information of the Target Companies during the Track Record Period in the **[REDACTED]** of the Company.

Alternative disclosure of the Acquisitions in the [REDACTED]

The Company has provided alternative information in the document in connection with the Acquisitions. Such information include, where applicable, those which would be required for a disclosable transaction under Chapter 14 of the Listing Rules including, for example, descriptions of the relevant companies' principal business activities, the investment amount, and a confirmation that the counterparties and the ultimate beneficial owners of the counterparties are independent third parties of the Company and its connected persons. Since each of the relevant percentage ratios of the Acquisitions is less than 5% by reference to the most recent fiscal year of the Track Record Period, the Company believes the current disclosure is adequate for potential **[REDACTED]** to form an informed assessment of the Company. The Company does not expect to use any **[REDACTED]** from the **[REDACTED]** to fund the Acquisitions.

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this document includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all.

Unless otherwise indicated (i) the translation between HK$ and RMB was based on the rate of HK$1 to RMB0.8536 (set by the PBOC for foreign exchange transactions prevailing on the Latest Practicable Date), and (ii) the translation between U.S. dollars and Hong Kong dollars was based on the rate of US$1 to HK$7.8489 (set by the PBOC for foreign exchange transactions prevailing on the Latest Practicable Date).

ROUNDING

Certain amounts and percentage figures included in this document have been subject to rounding adjustments, or have been rounded to a set number of decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart in this document between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between the English version of this document and the Chinese translation of this document, the English version of this document shall prevail unless otherwise stated. However, the English names of any Laws, Governmental Authorities, institutions, natural persons or other entities for which no official English translation exists are unofficial translations for your reference only and their names in the original language shall prevail.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Director		
Mr. Kuang Ming	Room 1702 Block No. 6, Rongxin Shijia Hongmei Road, Minhang District Shanghai PRC	Chinese
Non-executive Director		
Mr. Lee Kar Chung Felix	Flat A, 1/F Block 6, Julimount Garden 1-5 Hin Tai Street Tai Wai, Hong Kong	Chinese (Hong Kong)
Independent non-executive Directors		
Dr. Hong Weili	Room 201, No. 33 885 Lane, Qinzhou North Road Xuhui District Shanghai PRC	Chinese
Mr. Zhang Saiyin	7C, Block 13 Phase II, Donghai Garden Xianglin Road Futian District Shenzhen PRC	Chinese
Mr. Ang Khai Meng	1038 Huashan Road Block 163, No 1201 Shanghai PRC	Singaporean

See "Directors and senior management" for further details.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

J.P. Morgan Securities (Far East) Limited
28/F, Chater House,
8 Connaught Road Central
Hong Kong

[REDACTED]

[REDACTED]

Legal advisers to our Company

As to Hong Kong and U.S. laws
Skadden, Arps, Slate, Meagher & Flom and affiliates
42/F, Edinburgh Tower, The Landmark
15 Queen's Road Central, Central, Hong Kong

As to PRC law
Tian Yuan Law Firm
10/F, Tower B, China Pacific Insurance Plaza
28 Fengsheng Hutong, Xicheng District, Beijing, PRC

As to Cayman Islands law
Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal advisers to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and U.S. laws* **Cleary Gottlieb Steen & Hamilton (Hong Kong)** 37/F, Hysan Place 500 Hennessy Road Causeway Bay Hong Kong *As to PRC law* **Han Kun Law Offices** 9/F, Office Tower C1 Oriental Plaza, 1 East Chang An Avenue, Beijing PRC
Auditor and Reporting Accountants	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504 Wheelock Square, 1717 Nanjing West Road, Shanghai, PRC

[REDACTED]

CORPORATE INFORMATION

Headquarters	Rooms 401, 403 and 405(A), 4/F No. 998 Wenyi West Road (Haichuang Yuan) Wuchang Street, Yuhang District, Hangzhou Zhejiang Province, China
Principal place of business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong
Registered office in the Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands
Company website	**www.cloudr.cn** *(the information contained on this website does not form part of this document)*
Joint company secretaries	Ms. Liu Mengya (劉夢雅) Rooms 401, 403 and 405(A), 4/F No. 998 Wenyi West Road (Haichuang Yuan) Wuchang Street, Yuhang District, Hangzhou Zhejiang Province, China Ms. Fung Wai Sum (馮慧森) *(ACG, ACS)* Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives	Mr. Kuang Ming (匡明) Rooms 401, 403 and 405(A), 4/F No. 998 Wenyi West Road (Haichuang Yuan) Wuchang Street, Yuhang District, Hangzhou Zhejiang Province, China Ms. Fung Wai Sum (馮慧森) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Audit committee	Mr. Zhang Saiyin (張賽音) *(Chairperson)* Dr. Hong Weili (洪偉力) Mr. Lee Kar Chung Felix (李家聰)
Remuneration committee	Dr. Hong Weili (洪偉力) *(Chairperson)* Mr. Kuang Ming (匡明) Mr. Zhang Saiyin (張賽音)

Nomination committee

Mr. Kuang Ming (匡明) *(Chairperson)*
Dr. Hong Weili (洪偉力)
Mr. Zhang Saiyin (張賽音)

[REDACTED]

Compliance adviser

Anglo Chinese Corporate Finance, Limited
40th Floor
Two Exchange Square
8 Connaught Place
Central
Hong Kong

Principal banks

Xiamen International Bank (Beijing Branch)
11/F, China Commerce Tower
No. 5, Sanlihe East Road
Xicheng District
Beijing
PRC

Shanghai Pudong Development Bank Co., Ltd
(Xuhui sub-branch)
No. 589, Jianguoxi Road
Xuhui District
Shanghai
PRC

Hangzhou Bank (Keji sub-branch)
No. 3850, Jiangnan Dadao
Binjiang District, Hangzhou
Zhejiang Province
PRC

The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan for preparing the Frost & Sullivan Report, an independent industry report in respect of the **[REDACTED]**. *We believe that the sources of the information in this section and other sections of this document are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. The information from government official sources has not been independently verified by us, the Joint Sponsors, the* **[REDACTED]**, *the* **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, *any of the* **[REDACTED]**, *any of their respective directors and advisers, or any other persons or parties involved in the* **[REDACTED]**, *and no representation is given as to its accuracy. Accordingly, the information from government official sources contained herein may not be accurate and should not be unduly relied upon. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this Section.*

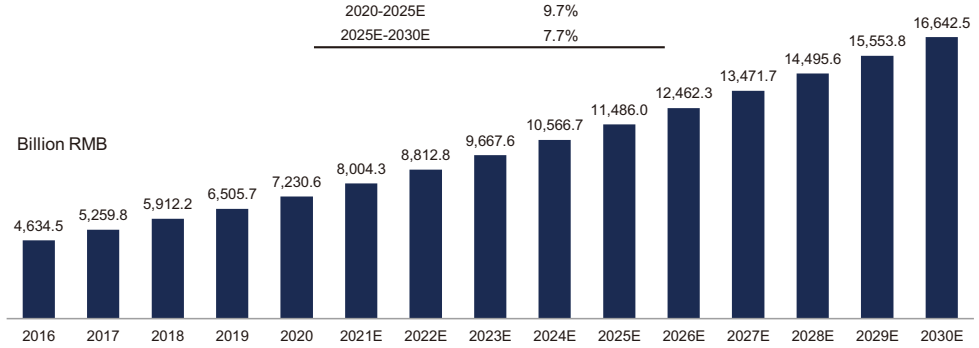
Except as otherwise noted, all of the data and forecasts contained in this section have been derived from the Frost & Sullivan Report.

Overview of the Healthcare Industry in China

China is the second largest healthcare economy with sizable and steadily increasing healthcare expenditure. Healthcare expenditure (HCE) refers to the total costs expended across the entire country on healthcare-related services and products over a period of time, normally a year. According to Frost & Sullivan, China recorded total healthcare expenditure of RMB7,231 billion in 2020, and it is forecasted to reach RMB11,486.0 billion by 2025, representing a CAGR of 9.7% from 2020 to 2025, and further reach RMB16,642.5 billion by 2030. Along with the trend of China's GDP growth declining, the growth rate of the total healthcare expenditure in China is expected to encounter a decreasing trend. The growth rate of a market tends to naturally slows down as it expands in size and enters a more mature phase, and the total healthcare expenditure in China has been growing at a high CAGR historically in recent years.

Total Healthcare Expenditure in China, 2016-2030E

Period	CAGR
2016-2020	11.8%
2020-2025E	9.7%
2025E-2030E	7.7%



Source: The Frost & Sullivan Report

According to Frost & Sullivan, the number of individuals in China aged above 65 reached 190.6 million in 2020 and is forecasted to continue to reach 247.4 million in 2025 and 318.1 million in 2030. The "Health China 2030" promulgated in 2016 and "14th Five-Year Plan" promulgated in 2021 both emphasized the strategic importance of the healthcare industry in China's development plan. Innovations in the healthcare industry have been continuously enhancing the medical capabilities of service providers and the experiences of the service receivers, which increases the customers' willingness to pay. Therefore, the accelerated aging population, along with favorable policies and technological advancements, indicate a growing market for the healthcare industry.

With substantial rising demand for healthcare, China's healthcare industry is undergoing unprecedented supply-side reforms, which are expected to profoundly influence the industry by promoting the development of out-of-hospital channels and accelerating the digitalization penetration in the industry. The PRC government has introduced multiple policies favorable to "Internet + healthcare" in recent years, propelled by the COVID-19 pandemic to further accelerate the implementation of these policies, including:

- Policies to encourage doctors' multi-site practice in order to alleviate uneven distribution of medical resources, such as "Notice on Issues Related to Physicians' Multi-site Practice" announced in 2009, "Notice on Further Expanding the Scope of the Pilot Multi-site practice of Physicians" in 2011, and similar policy, pronouncements. These policies have provided the basis for the accelerated development of services such as internet hospitals and other online healthcare solutions.

- Policies to promote online healthcare services, including the legalization and standardization of online consultation platforms, and policies to encourage offline hospitals to set up internet hospitals, such as "Opinion of the General Office of the State Council on Promoting the Development of Internet + Healthcare", where doctors are allowed to prescribe medicines for some common and chronic diseases online on the basis of read access to the patient's medical records, which has been alleviating the pressure of offline healthcare system.

- Policies to encourage the separation of issuing prescriptions and dispensing of drugs and promoting prescription outflow, including the introduction of centralized procurement processes for hospitals using a volume-based procurement (VBP) approach. Such policies include "Policies and Measures to Further Deepen the Reform of the Healthcare System Using VBP as a Breakthrough Point" issued by the State Council medical Reform Team in 2019, which encourages medical insurance agencies to directly settle payments with manufacturers and circulation companies, largely improving their accounts receivable turnover and supply chain efficiency.

- Policies that demonstrate government recognition of online retail pharmacies as an important channel, including permitting online consultation and prescription and online sales of prescription drugs, including the new "Drug Administration Act" announced in 2019, which allowed for the online sales of major prescription drugs excluding vaccines, narcotic drugs, and other drugs subject to special management by the state.

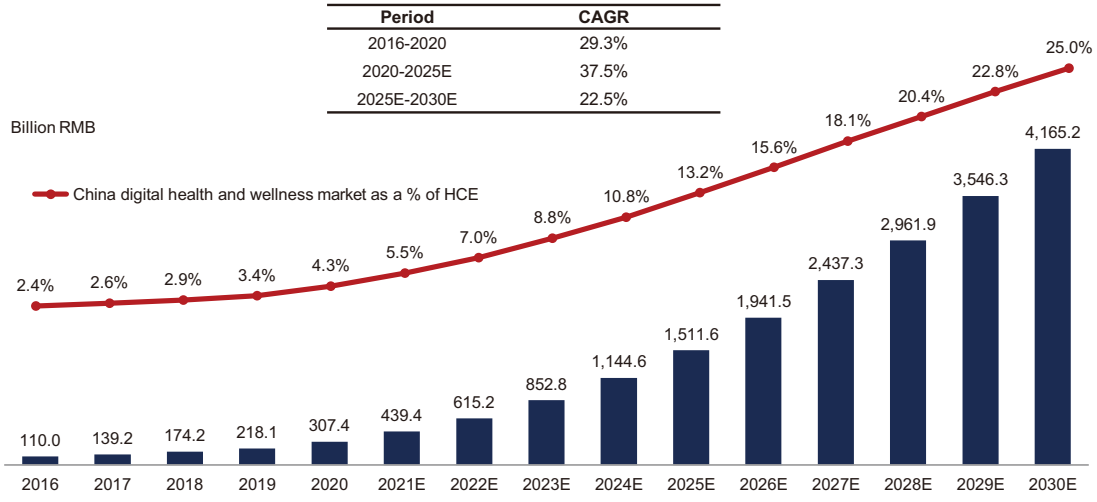
- Policies to continuously refine the medical insurance system and support reimbursement of online consultation for common and chronic conditions, including "Opinions on supporting the healthy development of new business formats and new models, activating the consumer market and driving employment expansion" announced by National Development and Reform Commission in 2020. The opinions proposed to include certain "Internet+" healthcare service fees under insurance coverage, aiming to promote internet based healthcare services.

- Policies to establish and standardize EMR (Electronical Medical Record) systems gradation and evaluation in hospitals in order to maintain consistent EMR for long-term care or chronic condition management, such as "Notice on Future Promoting the Informatization Construction of Medical Institutions with Electronic Medical Records as the Core", which aims to establish and improve the electronic medical record system and provide a wider coverage of such system to form a basis for long-term enhancement of the medical system.

These policies can transform the structure of the healthcare industry, by transferring a portion of healthcare services originally provided in traditional offline medical institutions to online scenarios by making online consultations and online sales of medicines easily accessible.

Driven by favorable policies and continued technology advancement, there are clear trends of accelerating digitalization across different sectors of the healthcare industry, which has led to the fast growth of the digital health and wellness market in China. The size of China's total digital health and wellness market is expected to reach RMB1,511.6 billion in 2025, representing a CAGR of 37.5% from 2020 to 2025, and further reach RMB4,165.2 billion in 2030, representing a CAGR of 22.5% from 2025 to 2030.

China Digital Health and Wellness Market Size, 2016-2030E



Source: The Frost & Sullivan Report

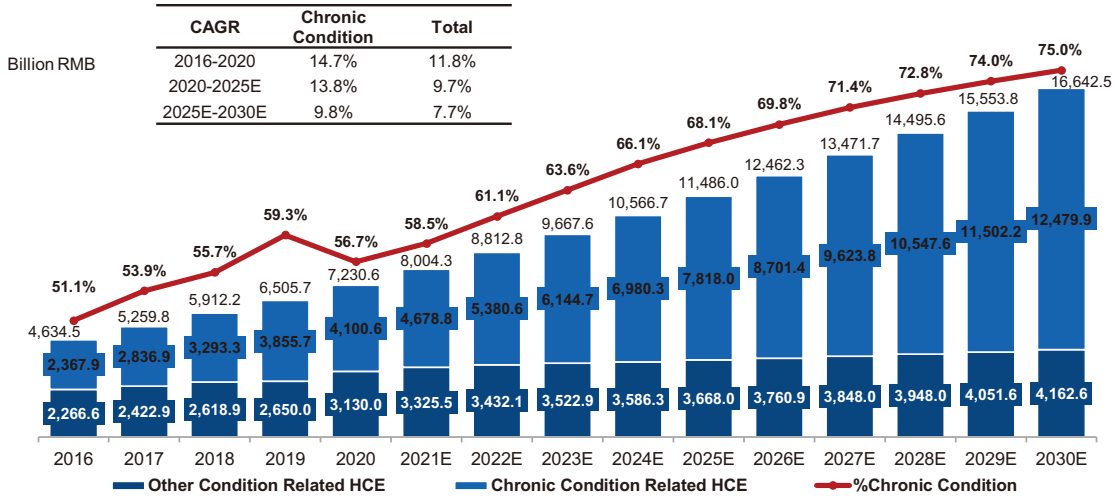
Overview of China's Chronic Condition Management Market

China's chronic condition[1] management market, with a massive patient population and high growth potential, is one of the most important segments of the country's healthcare market. As of December 31, 2020, there were 133 million, 324 million, and 89 million patients in China with diabetes, hypertension, and hypercholesteremia conditions, respectively, and these patient populations are expected to grow continuously.

[1] Chronic conditions are defined broadly as conditions that last for a year or more and require ongoing medical attention or limit activities of daily living or both, including cardiovascular diseases, metabolic diseases, psychiatric diseases, renal diseases, respiratory diseases, gastroenterological diseases, and others.

According to the Frost & Sullivan Report, healthcare expenditure for chronic conditions in China is expected to grow from RMB4,100.6 billion, representing 56.7% of total healthcare expenditure in 2020, to RMB12,479.9 billion, representing 75.0% of total healthcare expenditure in 2030. Furthermore, prescriptions for chronic conditions accounted for 87.0% of all prescriptions in 2020, and they are expected to constitute 90.0% in 2030.

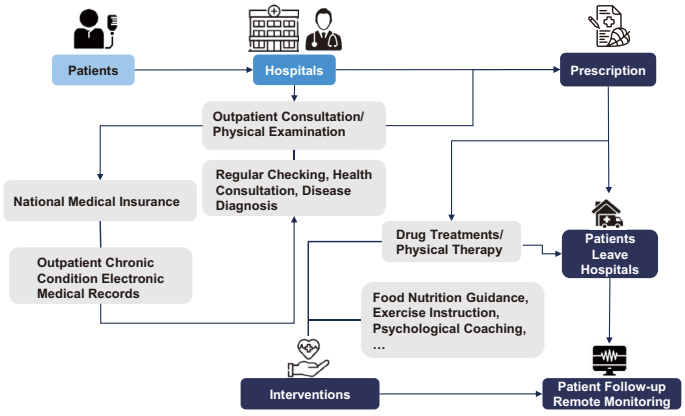
Breakdown of China Healthcare Expenditure Breakdown by Chronic Condition and Other Condition Related Expenditure, 2016–2030E



Source: The Frost & Sullivan Report

Chronic condition management in China is concurrently facing multiple challenges:

- **Low level of digitalization**. The overall chronic condition management segment is still in the early phase of digitalization. Chronic condition management in China centers on in-hospital healthcare services. Typically, chronic condition management procedures include in-hospital diagnosis, treatment, rehabilitation care and patient follow-up visits. After patients receive diagnosis, treatment and prescriptions in hospitals, their health data are recorded in their medical records for following assessment and health status monitoring. Once a patient with chronic conditions leaves the hospital, except for weekly or bi-weekly in-hospital follow-up visits or medicine refilling, he or she has to manage their own care.



Source: The Frost & Sullivan Report

The absence of automated EMR generation and updating, in- and out-of-hospital medical condition tracking, and systematic patient data analytics have resulted in significant inefficiencies in chronic condition management. In addition, China does not have a national patient database to support digital chronic condition management. Individual patient data are primarily collected and maintained manually in most hospitals, leaving significant opportunities for digitalized solutions to make improvements in efficiency, accuracy and effectiveness of chronic conditions management. Meanwhile, there is a lack of one-stop solutions to monitor patients' situations and manage their chronic conditions out of hospitals, which are crucial to medical treatment effectiveness.

- **Massive patient base and increasing prevalence of chronic conditions**. China is facing an aging population, with the portion of the population aged 65 and above expected to reach 318.1 million, or 21.9% of the total population, in 2030, from 13.5% in 2020. China's demographic shift is expected to create significant demand for chronic condition management. Along with the increasing prevalence of chronic conditions, age-related chronic condition spending has consistently taken up a significant portion of China's total healthcare expenditure. This trend is predominantly driven by a fast-growing underlying patient pool and significant direct spending on chronic conditions, as exemplified by the following typical chronic conditions.

  - The number of patients with hypertension in China was 324.4 million in 2020, and is expected to increase to 357.9 million and 388.0 million in 2025 and 2030, respectively; the direct spending for hypertension was approximately RMB429.4 billion in 2020.

  - The number of patients with diabetes in China was 133.1 million in 2020, and is expected to increase to 151.7 million and 170.3 million in 2025 and 2030, respectively; the direct spending for diabetes was approximately RMB752.1 billion in 2020.

- **Scarcity and uneven distribution of quality medical resources**. China's high-quality medical resources are concentrated in large Class III and Class II hospitals, which represented 37.9% of the total number of hospitals nationwide but provided 89.2% of healthcare services that were provided through outpatients visits in 2020, according to Frost & Sullivan. This uneven distribution of medical resources makes quality diagnosis and medical services scarce and not easily accessible to people in need.

- **Inferior medical service experience.** Scarcity in quality medical resources has resulted in poor patient experiences. According to the Frost & Sullivan Report, in 2020, on average, patients in China spent approximately 3 hours on an offline outpatient visit, of which only around 8 minutes were spent on diagnosis. The inefficient and unpleasant outpatient visit experience discourages chronic condition patients from maintaining the regular touchpoints with doctors, even if their conditions require them to do so.

- **Limited insurance coverage for chronic condition management.** China's healthcare expenditure on chronic conditions can be divided into four categories:

  - Basic medical insurance expenditures, expenditures that are paid by national medical insurance.

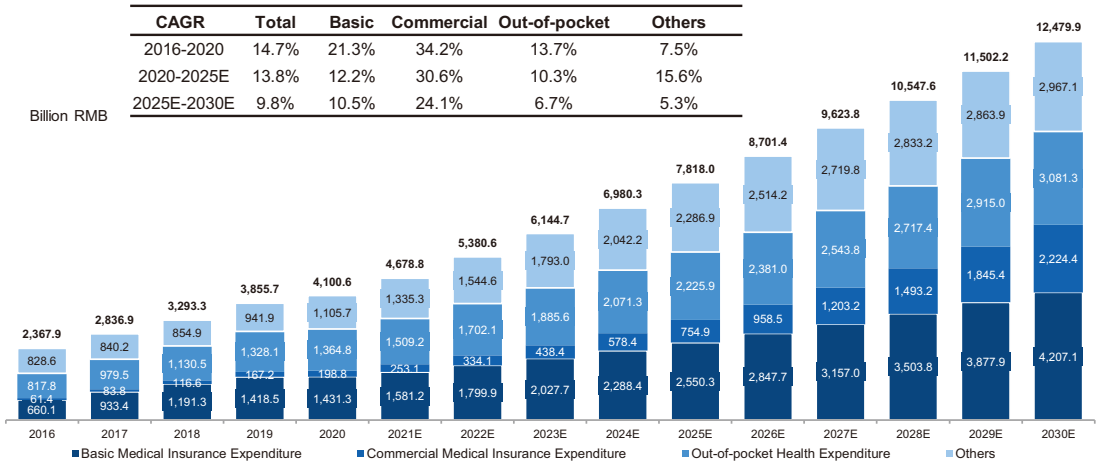
  - Commercial medical insurance expenditures, expenditures that are paid by commercial health insurances which are provided and administered by non-governmental entities.

- Out-of-pocket payments, expenditures that are directly borne by patients, including cost-sharing, self-medication and other expenditure paid directly by private households.

- Other expenditures including government fiscal payments other than health insurance payments, social charity payments, and donations.

The following chart sets forth the breakdown of chronic condition-related expenditure by payment types:

Breakdown of China Chronic Condition Healthcare Expenditure, 2016–2030E



Note: Others include government non-insurance financial input, social charity donations, etc.

Source: The Frost & Sullivan Report

The first three of these four categories, namely the total expense of basic medical insurance expenditures, commercial medical insurance expenditures and out-of-pocket payments, are defined as healthcare spending according to the Frost & Sullivan Report. In 2020, the chronic condition healthcare spending reached RMB2,994.9 billion. Out-of-pocket chronic condition management expenditure in China is significant, reaching RMB1,364.8 billion in 2020 and accounting for 45.6% of the chronic condition healthcare spending. Basic medical insurance expenditure and commercial healthcare insurance accounted for 47.8% and 6.6% of the chronic condition healthcare spending, respectively.

Chronic condition management is the most suitable for adopting digital solutions among all health conditions, given the need for long-term care, recurring diagnosis and treatments, requirement of systematic record of medical data, and relatively low medical risk profile. Patients with chronic conditions typically need routine follow-ups, continuous prescription renewals and treatment over long periods of time. Therefore, the doctor-patient interaction is more frequent and patients' medical records need to be periodically updated and reviewed. Specifically, patients not only demand efficient diagnosis and in-hospital medical care, but also need continuous out-of-hospital management. In addition, the risk of mistreatment of chronic conditions is relatively manageable and potential negative consequence of medical error is relatively limited. Digital chronic condition management solutions consequently are characterized by the following core value propositions.

- **Provide long-term care:** Digital chronic condition management solutions can trace a patient's health condition and records over a long period, which satisfies the requirement for long-term care.

- **Allow recurring diagnosis and treatment:** Digital chronic condition management solutions can efficiently facilitate recurring diagnosis and treatment, and allow patients to communicate with doctors remotely to receive diagnosis and treatment anytime and anywhere. As a result, patients can save the time and cost as compared with in-hospital visits.

- **Store systematic record of medical data:** Digital chronic condition management solutions enable health condition tracking and recording through the usage of AIoT medical devices, both in and out of hospitals, including at home. After each time of diagnosis and treatment, internet-based medical records — including health condition, disease progression condition, medication, treatment means, and allergic reactions — are electronically stored to provide substantial convenience for the patient's next diagnosis and treatment.

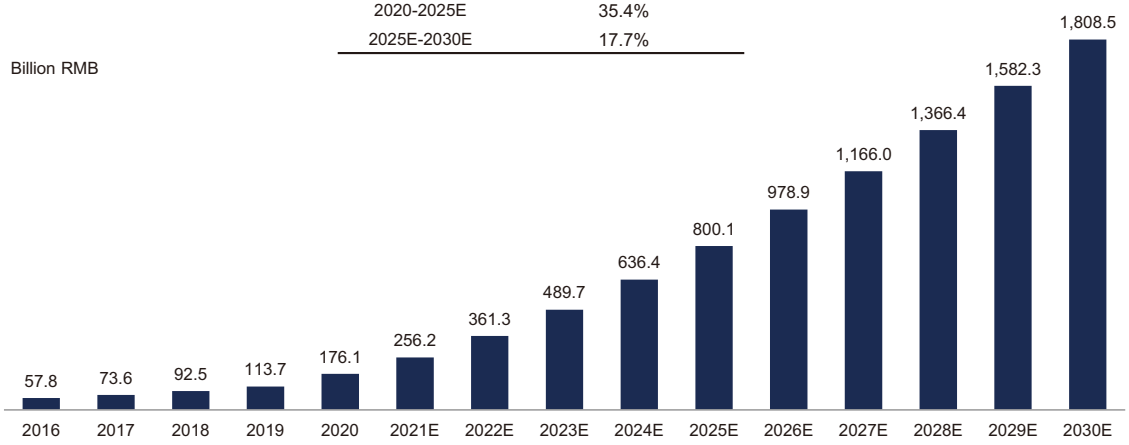
- **Solve limited and unequal access to medical resources:** Digital chronic condition management solutions also solve the pain points of limited and unequal access to medical resource such as hospitals. Medical resources are unevenly distributed in China and concentrated in municipal hospitals compared to county hospitals. A significant portion of county hospitals (Class I, II) still lack the capabilities necessary for chronic condition treatment and prevention. With internet-based platforms, patients can access to doctors from higher-tiered hospital and conduct chronic condition treatment and prevention through internet hospitals beyond physical constraints.

- **Facilitate easier purchase of prescription drugs:** Traditionally it is not convenient to purchase prescription out of hospitals. Chronic condition patients often have to repeatedly go through unpleasant and inefficient outpatient visits to renew their prescriptions and receive their regular medications. Internet-based platforms enable online medications ordering after doctors' review and prescription and delivery at their doorway. In particular, recent policy guidelines in China are promoting prescriptions outflow, making prescription drugs more accessible out of hospitals.

Digital chronic condition management market in China consists of chronic condition management service and relevant product sales revenue. Digital chronic condition products include pharmaceuticals, consumables, medical devices, nutrition and supplements, and others for chronic condition. 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, with 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.

China Digital Chronic Condition Management Market Size, 2016-2030E

Period	CAGR
2016-2020	32.1%
2020-2025E	35.4%
2025E-2030E	17.7%



Source: The Frost & Sullivan Report

Entry Barriers of Chronic Condition Management Market

Talent barrier: The chronic condition management industry is a technology-intensive market. The professional qualifications require accumulated experience in the healthcare field and the integrated application of various cross-sector technologies. Therefore, this industry requires compound talents with multi-disciplinary background. This is an applied industry that needs to develop products with different characteristics for specific application fields. That requires the professionals with strong knowledge and innovation abilities. It is difficult for new entrants to acquire professionals with rich industry experience.

Regulatory barrier: The healthcare industry is a highly regulated industry with license requirements in various areas. For instance, Good Supply Practice (GSP) is a guideline designed for quality assurance in transportation, storage, and sales of pharmaceuticals, which the distributors need to strictly follow to become GSP certified. Moreover, companies using the internet to create value-added services need to be licensed before relying on these services to generate revenues. For instance, services involving online consultation that generate revenues need to acquire the Internet Content Provider (ICP) certification to operate.

Capital barrier: In order to enhance their core competitiveness, chronic condition management enterprises may need to invest a large amount of capital in R&D, brand promotion, channel construction and product services. It is difficult for the enterprises with limited financial capabilities to operate their funds efficiently and achieve further development in the industry.

Relationship barrier: The supply of chronic condition solutions, including SaaS platforms, pharmaceuticals and medical devices is at the core of chronic condition management businesses as it may contribute a large portion of the revenue of chronic condition management companies. The capability of businesses to maintain relationships with both upstream suppliers and downstream medical institutions and pharmacies is vital but difficult for new entrants to acquire.

How We Serve the Chronic Condition Market

Promote digitalization of in-hospitals scenarios: We provide our hospital SaaS 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 solutions to hospitals are designed for chronic condition

management to improve hospitals' operational efficiency and treatment effectiveness. Through 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.

Comprehensive offerings covering full life cycle: With an aim to cover the entire patient journey, we have strategically developed our offerings to cover the full life cycle of digital chronic condition management in and out of hospitals. We understand that chronic condition management is a complex process, with long-term and regular visits, requiring frequent interactions between patients and medical service providers including doctors, hospitals and pharmacies. To make quality healthcare services accessible at out-of-hospitals setting, we have launched our pharmacy solution and individual chronic management solution to enable in-pharmacy and at-home consultation and prescription. This approach has also enhanced our engagement with such stakeholders and positioned us for monetization opportunities.

Key Trends in Chronic Condition Management

Expanding the outflow of prescription drugs

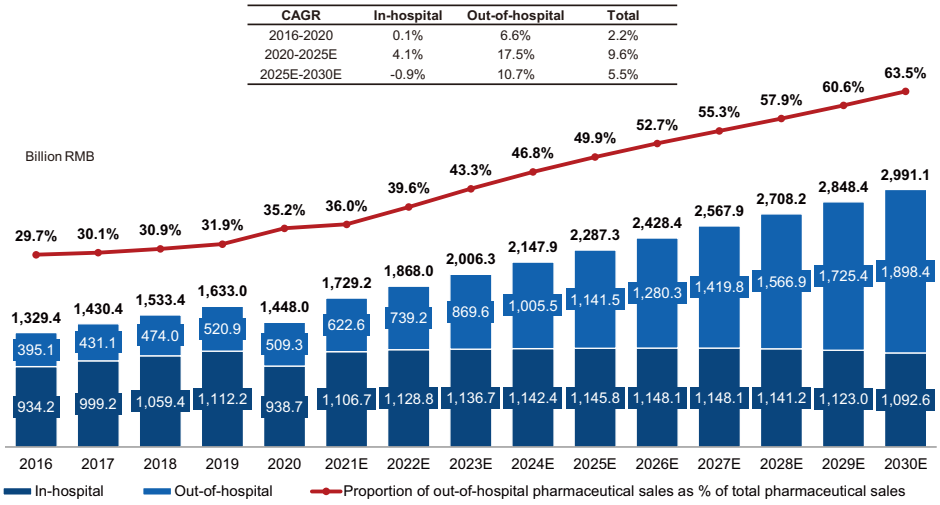
Prescription outflow is an important and emerging trend. The potential penetration of prescription drugs outflow is expected to increase to maximum 87.6% of out-patient drug sales in China, according to the Frost & Sullivan Report. A number of policies have been promulgated to support prescription outflow:

- According to The Thirteenth Five-Year Plan in Deepening the Reform of the Medical and Health System (《"十三五"深化醫藥衛生體制改革規劃》), public hospitals will undergo comprehensive reform, and public hospitals are prohibited from charging mark-ups on the drugs they sell. Amid this policy trend, public hospitals can no longer generate profits from pharmaceutical sales, which has reduced incentives for pharmaceutical sales. With more stringent supervision and assessment on revenue contribution from hospitals' pharmaceutical sales, hospitals are more willing for patients to purchase pharmaceutical products through out-of-hospital channels, including online and offline retail pharmacies

- A series of supportive policies have been introduced and become effective, providing guidance on the reform of the out-of-hospital distribution of prescription drugs, including Guiding Opinions on Classification and Management of National Retail Pharmacies (Draft for Public Comments) (全國零售藥店分類分級管理指導意見(徵求意見稿)) and Several Opinions on Further Reforming and Improving the Policies on the Production, Circulation and Use of Pharmaceuticals (關於進一步改革完善藥品生產流通使用政策的若干意見).

Driven by the expanding outflow of prescription drugs, the proportion of pharmaceutical sales made through out-of-hospital channels is expected to continue to increase. Amid this secular trend, pharmacies and other out-of-hospital platforms demand for a broader customer base, supply chain capabilities, and prescription circulation capabilities. The below diagram illustrates that sales of pharmaceuticals through out-of-hospital channels in China is expected to grow at a CAGR of 17.5% from 2020 to 2025, faster than those sold in hospitals, which is expected to grow at a CAGR of 4.1% during the same period.

Breakdown of China Pharmaceutical Market by In and Out of Hospitals Scenarios, 2016-2030E



Source: The Frost & Sullivan Report

Digital infrastructure empowering chronic condition management

As chronic conditions require both in- and out-of-hospital management, a seamlessly solution, whereby patients can conduct routine online visits and seek offline physical examination and diagnosis if circumstances require, can effectively address patient needs. In order to offer such solutions for patients, digital infrastructure need to be designed to connect stakeholders such as hospitals, pharmacies, insurance companies and other participants across the value chain. Below illustrates the key benefits of digital infrastructure.

- **Integration of healthcare resources:** Unlike traditional chronic condition management, which separates the in-hospital diagnosis and day-to-day treatment, digital chronic condition management solutions integrate the medical resources that are available only in hospitals with out-of-hospital healthcare resources enabling patients to receive integrated medical services wherever they are.

- **High efficiency empowered by technology:** Advanced technologies, such as AI and medical big data, enable digitalized chronic condition management platforms to work much more efficiently. A doctor can respond to nearly 2,000 queries per day when backed by advanced technologies on a digital chronic condition management platform. In contrast, a doctor can only deal with 100 queries per day in a traditional hospital.

- **Improving patient-centric management:** Digitalization of chronic condition management has great value in improving service quality for the healthcare system by conveniently connecting major stakeholders, simplifying the consultation, prescription, and treatment process, forming a patient-centric ecosystem, and strengthening access to more medical resources.

- **Seamless collaboration of industry stakeholders:** The digital platforms for chronic condition management build up an ecosystem, in which all stakeholders in health system, such as hospitals, pharmacies, pharmaceutical companies, patients and doctors, are deeply involved, which facilitate inter-system communication and interaction with one another.

We are a pioneer in in digitalizing chronic condition management in China. Our hospital SaaS is the first one of its kind to digitalize and standardize the chronic condition management process for hospitals in China, and we are the only industry player whose self-developed AIoT devices can connect to China's NMPA certified medical devices used in hospitals. We have established market leadership in the digital chronic condition management market. We are China's largest digital chronic condition management solution provider 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. We strive to provide distinctive solutions which could serve as infrastructure connecting a variety of stakeholders within the healthcare system. 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 particular, we have adopted a hospital-first strategy and have relentlessly made investments to expand our hospital network as we understand that chronic condition management in China centers on in-hospital healthcare services. We believe that by leveraging our success in serving hospitals, we are able expand our solutions to more stakeholders and provide valuation propositions to pharmacies, patients and pharmaceutical companies.

Key Use Cases of Digital Chronic Condition Management

In-hospital chronic condition management

Digital solutions allow hospitals to enhance their information technology capabilities to improve operating efficiency and reduce human error. The development of hospital digitalization is primarily implemented through (i) the installation and upgrading of hospital information system ("**HIS**") and (ii) SaaS-based solutions focused on automating and optimizing daily workflow to improve efficiency.

Hospitals adopt HIS to help them collect, store, manage and transmit a patient's records. Especially for chronic condition management, it is critical to maintain consistent EMR after the completion of in-hospital treatment, as chronic conditions are characterized by the need for continuous self-management and long-term care. Establishing EMR systems is also one of the key steps hospitals need to undertake to achieve digitalization. China's National Health Commission has repeatedly stressed the importance of EMR in hospital assessment. According to *Circular on the Administrative Measures for Grading and Evaluating the Application Level of the Electronic Medical Record System (for Trial Implementation) and The Evaluation Standards (for Trial Implementation)* policy (*《關於印發電子病歷系統應用水平分級評價管理辦法(試行)及評價標準(試行)的通知》*), EMR is a key determinant factor in terms of the assessment of hospital classification as it requires EMR of all Class III hospitals to be rated at above 3 (on a scale of 0 to 8) by 2019 and 4 by 2020. Failure to achieve such rating can negatively affect the classification of hospitals, especially for Class III hospitals.

These types of improvements cannot be achieved by legacy HIS systems. According to Frost & Sullivan, HIS is typically a customized on-premise system which requires months to develop, test and deploy to fit to each hospitals specific needs, in general difficult to revamp once deployed. SaaS-based solutions, in contrast, are much easier to deploy as they often act as "plug-ins" or extensions of hospitals' existing HIS. Therefore, SaaS-based solutions are a more time-saving and cost-effective option to drive improved operating efficiency.

Traditionally, data within a Chinese hospital have been highly fragmented. Most departments have historically hosted their own data on-premises, leaving the data relatively isolated. Lacking data integration and a low degree of compatibility between systems hinder uniform monitoring and efficient use of medical data, making it challenging for continuous patient condition monitoring

and management. Although most HIS systems have been equipped with data storage and collection functions, manual input for clinic data entry is still required, which lead to inefficiencies and operational errors.

To solve the data isolation problem, SaaS-based solutions enable data sharing among different HIS sub-systems such as the mobile workstation and the cloud-based management platform. SaaS-based solutions that integrate with the Internet of Things (IoT) prevent the isolation and dispersion of health data, to the extent permissible by laws and regulations. SaaS-based solutions save doctors' and nurses' time, improve work efficiency and reduce manual data input error.

Out-of-hospital chronic condition management

Pharmacies

Offline retail pharmacies are the predominant out-of-hospital channel for patients to purchase pharmaceuticals and consumables. Patients are only allowed to purchase prescription drugs with a prescription. However, most patients do not have a prescription in hand when stepping into a pharmacy and it would take much longer to pay an in-person doctor visit and get prescription. As a result, offline retail pharmacies are inclined to adopt digital solutions to fulfill customers' increasing needs for online consultation and prescription services during offline drug purchases, in compliance with regulatory requirements. Digital capabilities also enable pharmacies to better manage medicine inventory to meet patients' on-demand needs.

Online healthcare platforms

To address the full cycle of chronic condition management, online healthcare platforms, usually powered by internet hospitals, have been providing online consultation and online prescription issuance and fulfillment.

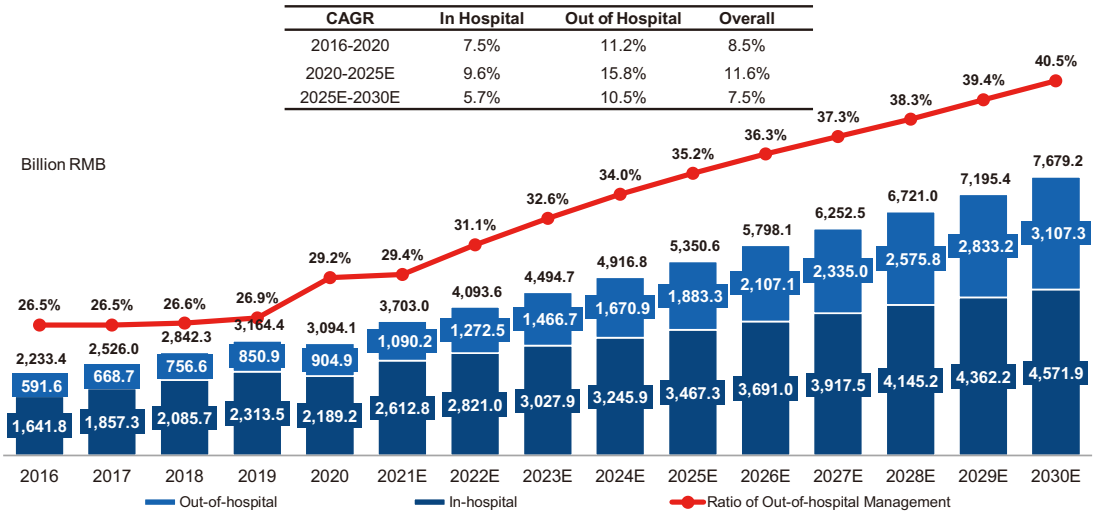
Moving the consultation, diagnosis and prescription processes online has significantly increased the utilization efficiency of medical resources. For example, people spent 3 hours on average on an outpatient visit in 2020, although actual consultation and diagnosis time only accounted for 4.4% (8 minutes), according to the Frost & Sullivan Report. In contrast, online consultation and diagnosis are highly efficient and can offer patients easily accessible quality medical resources regardless of where they are. As online consultation and diagnosis are gaining popularity, it is expected to become an indispensable component of China's healthcare system by effectively channeling patients to online or offline channels depending on their needs, as a way to further alleviate the current burden on China's healthcare system.

China's market for internet hospitals and digital consultation has been expanding rapidly and is expected to further expand. According to NHC, the number of Internet hospitals increased over 800% from 119 as of December 31, 2018 to more than 1,600 as of June 30, 2021. The online consultation volume was 148.4 million times in 2016, and it increased to 862.5 million times in 2020 with a CAGR of 55.3%. It is expected to further increase to 3,460.8 million times in 2025 and 5,276.3 million times in 2030, with a CAGR of 32.0% and 8.8%, respectively. The penetration rate of online consultation volume among all consultations was 1.9% in 2016. It increased to 11.5% in 2020 and is expected to increase to 35.9% in 2025 and eventually reach 50.0% in 2030.

By integrating online and offline medical resources, online platforms have extended their service spectrum beyond consultation, to include prescription issuance and fulfillment. This integrated model offers superior experience and makes quality products easily accessible to patients, which helps them with self-management of their conditions.

Driven by the secular trend of expanding outflow of prescription drugs and supported by digitalization of offline pharmacies and emergence of internet hospitals, the out-of-hospital market of chronic condition management is expected to continue to outgrow. The market size of out-of-hospital chronic condition management market in China, including sale of medical devices, consumables and pharmaceuticals and provision of management services, will increase from RMB904.9 billion in 2020 to RMB1,883.3 billion in 2025, and is expected to increase to RMB3,107.3 billion in 2030, with a CAGR of 15.8% from 2020 to 2025 and a CAGR of 10.5% from 2025 to 2030.

Breakdown of China Chronic Condition Management Market by Distribution Channels, 2016-2030E

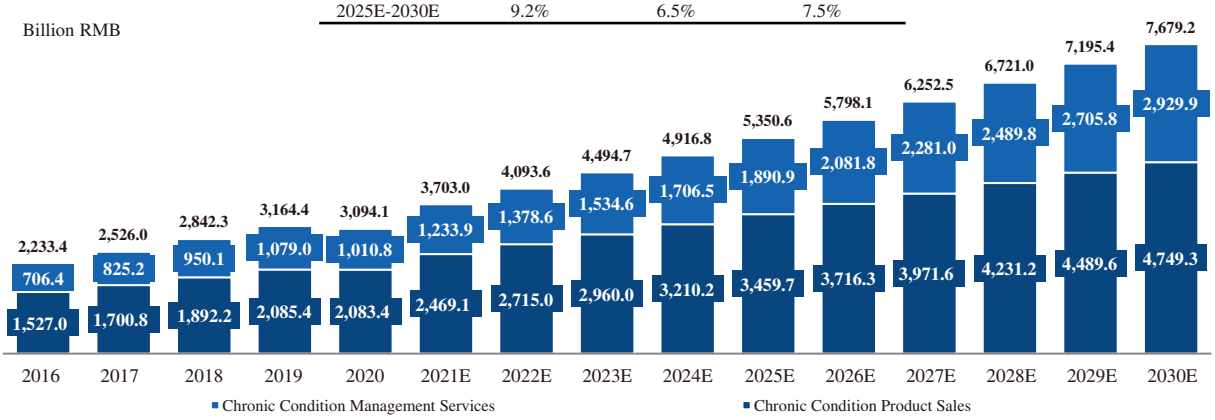


Source: The Frost & Sullivan Report

Chronic condition management market can be further broken down by types of services rendered into management services and product sales. Chronic condition management services refer to services including chronic condition consultation, regular checkups, risk assessment, integrated intervention and management provided by professional medical staff. Chronic condition products include pharmaceutical products, medical devices, and other products related to chronic condition management. Both segments are expected to continue to grow at a considerable rate with CAGRs of 13.3% and 10.7% during 2020 to 2025 for management services and products respectively.

China Chronic Condition Management Market, Breakdown by Types of Services Rendered, 2016-2030E

CAGR	Management Services	Products	Overall
2016-2020	9.4%	8.1%	8.5%
2020-2025E	13.3%	10.7%	11.6%
2025E-2030E	9.2%	6.5%	7.5%



Source: The Frost & Sullivan Report

Major Costs

The costs for providing digital chronic condition management services primarily include (i) supply cost, such as the cost for pharmaceutical products, medical devices, and other chronic condition related products, and cost to acquire exclusive distribution rights, (ii) development cost, such as salaries and benefits for software and application developers, and (iii) technology service fees incurred to operate an online platform, such as service fees relating to cloud and telecommunication services.

Supply costs are expected to remain relatively stable in the industry in the foreseeable future. Chronic condition management players, such as the Company, procure the products and then resell to downstream customers. The cost per product is expected to remain relatively stable in the foreseeable future.

Development costs are expected to increase at a relatively steady pace. Product and software development cost for a specific project is largely attributable to the associated labor cost, which is calculated taking into account the number of developers involved, their daily rates and the total time spent. The number of developers required and time spent for a specific project is dependent on the complexity of the product and the amount of medical information such project requires, which are not affected by market conditions. As such, future trend of content development cost largely depends on the daily rates of research and development personnel, which are closely related to the average wage in the industry. As the average wage in China continues to rise, daily rates have been increasing slightly over the past few years and are expected to be increasing at a relatively steady pace in the coming years.

Technology service fees, including cloud services and telecommunication services, are expected to remain stable in the foreseeable future. China's Cloud services market is relatively competitive, with many cloud service providers competing. As a result, the rates of cloud services is expected to be stable due to price competition. Telecommunication services market in China is dominated by the Chinese state-owned telecommunication companies. As all internet verticals rely on telecommunication services, telecommunication services are charged with stable rates.

Digital Healthcare Marketing

Overview

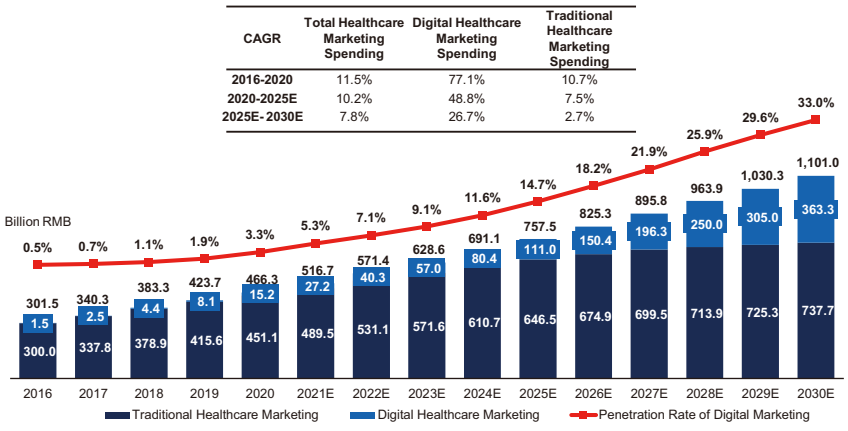
Digital marketing services are a marketing method that makes use of the internet and digital technologies, and extensive technology-empowered network, to conduct omni-channel promotion of medical products and services. The Chinese government has implemented regulations regarding reducing prices of medical products and layers of distribution channels, motivating pharmaceutical and medical device companies to widely adopt digital healthcare marketing to improve sales and marketing efficiency. Digital healthcare marketing incorporates services such as digital promotion, marketing analytics and strategy and technology services. With the feature of digital healthcare marketing, pharmaceutical and medical device companies piloted to incorporate digital tools and leverage external platforms to establish omni channel marketing capabilities to advocate their products.

Digital marketing services providers have established deep interaction with hospitals, doctors and pharmacies, and have accumulated medical care know-how. With such technology insights and network of stakeholders, they offer digital marketing services to pharmaceutical and medical device companies, helping them expand promotional outreach and elevate product awareness.

Market Opportunity

In 2018, digital marketing services started to flourish in China due to the implementation of multiple government regulations such as the "two-invoice" system and the national pilot program of the centralized procurement using a VBP approach aiming to reduce in-hospital medicine prices and layers of distribution channels. Such downfall in sales revenue caused pharmaceutical companies to reallocate the resources between the traditional marketing methods and digital marketing services. Enterprise spending on healthcare marketing increased from RMB301.5 billion with a digital marketing services penetration rate of 0.5% in 2016 to RMB466.3 billion with a digital penetration rate of 3.3% in 2020. Such spending includes marketing and promotional activities targeting primarily hospitals, doctors and pharmacies. It is expected that these enterprises would spend approximately RMB757.5 billion in 2025 with a digital marketing services penetration rate of 14.7%. The market of digital healthcare marketing is expected to further expand to RMB363.3 billion in 2030 among the RMB1,101.0 billion healthcare marketing market and its penetration rate is expected to be 33.0% in 2030. The illustration below presents the size and forecasted growth of overall spending in China on healthcare marketing along with the penetration rate from 2016 to 2030.

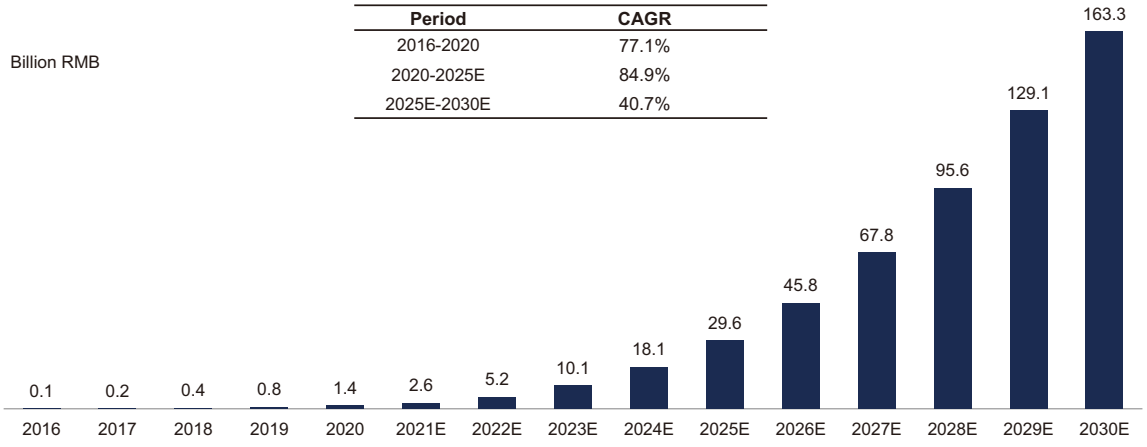
Enterprise Spending on Healthcare Marketing in China, 2016-2030E



Source: The Frost & Sullivan Report

Companies in the digital healthcare marketing market primarily generate revenues through two channels, namely, the provision of services and sales of products. Digital healthcare marketing companies generate revenues from the provision of services primarily from three sources, namely, services for pharmaceutical and medical device companies, services for complementary healthcare product companies, and others. The Company is a player in the digital marketing services market for pharmaceutical and medical device companies. The digital marketing services market for pharmaceutical and medical device companies grew significantly from RMB0.1 billion in 2016 to RMB1.4 billion in 2020, representing a CAGR of 74.4%, and is expected to further grow to RMB29.6 billion in 2025 and RMB163.3 billion in 2030, representing CAGRs of 84.9% from 2020 to 2025 and 40.7% from 2025 to 2030, respectively. The diagram below illiterates the size and forecasted growth of the digital marketing services market for pharmaceutical and medical device companies in China.

Market Size of China Digital Marketing Services Market for Pharmaceutical and Medical Device Companies, 2016-2030E



Source: The Frost & Sullivan Report

Key benefits brought by digital marketing services

- **Extensive and effective coverage:** By providing digital infrastructure for hospitals and pharmacies, digital marketing service providers can build national coverage network in an efficient manner. The technology-enabled solution has also contributed to deep and frequent customer engagement as such service needs to be timely updated to address the evolving needs from hospitals and pharmacies. For example, SaaS provider with their product integrated into hospital incumbent HIS system, have maintained close collaboration with hospitals and can promote relevant content through regular system update.

- **Increased effectiveness to doctors:** The new-generation digital marketing capabilities enable better reach to doctors for pharmaceutical companies. Doctors are made aware of what are available and suitable based on patients' health condition and needs, and able to make better-assisted prescription decisions. As a result, the marketing effectiveness are improved for pharmaceutical companies.

- **Improved efficiency:** Unlike traditional marketing that is time-consuming, digital marketing services provide a more efficient option and a broadened outreach. Specifically, marketing campaigns can be performed more quickly compared to traditional ones that require face-to-face interactions; and the digital feedbacks could be instantly gathered and analyzed.

- **Growing needs for advanced treatments:** Hospitals as the essential stakeholder providing medical care to patients, have been always trying to stay forefront of medical care technology and seek to provide better treatments for patients. In order to provide patients with more advanced treatments, doctors also demand the latest information related to patients' conditions. And digital marketing services platforms allow doctors to have access to a large variety of most up-to-date medicines and medical devices information and help them make more informed clinical decisions. With the growing need for novel treatments, the demand for digital marketing services will continue to grow.

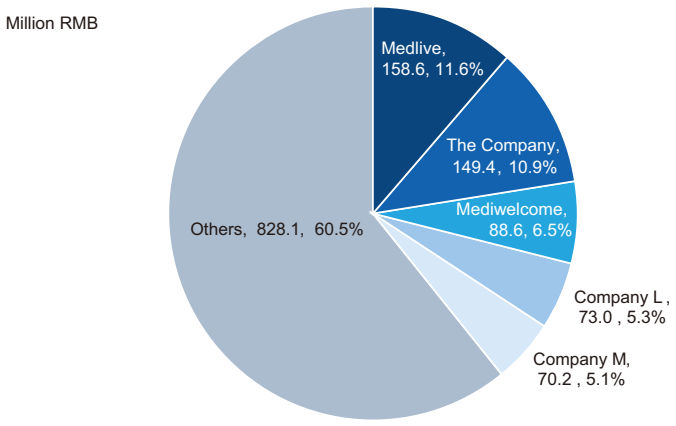
- **Superior marketing analytics and insights:** Digital marketing services provide channels for pharmaceutical and medical companies to reach targeted hospitals through its powerful network. The data feedback from digital marketing services could provide medical companies with meaningful insights regarding their campaigns and allow them to market their products to specific demographics.

Competitive Landscape

Digital healthcare marketing in China is an emerging market, and there are estimated to be over 200 participants focusing on different aspects of the market with various business models. Digital healthcare marketing services providers can typically be categorized into six segments that represent different application scenarios including (i) digital solution developers, (ii) virtual visit providers, (iii) Internet hospitals, (iv) pharmaceutical e-commerce platforms, (v) online conference vendors, and (vi) digital physician platforms. Major digital solution developers include Maichuan, Softium (an affiliate of Taimei Technology), Forceclouds, and 100doc, with revenues from healthcare marketing estimated to range from RMB50 million to RMB300 million in 2020. Major virtual visit providers include Naxions and Shanghai Qingyun Technology, with revenues from healthcare marketing estimated to range from RMB50 million to RMB100 million in 2020. Major internet hospitals include Ping An Good Doctor and Hao Dai Fu, with revenues from healthcare marketing estimated to range from RMB50 million to RMB500 million in 2020. Major pharmaceutical e-commerce platforms include JD Health, Ali Health, and Dingdang Express, with revenues from healthcare marketing estimated to range from RMB50 million to RMB500 million in 2020. Major online conference vendors include Mediwelcome, BizConf Telecom, and eDoctor Healthcare Communications, with revenues from healthcare marketing estimated to range from RMB100 million to RMB500 million in 2020. Major digital physician platforms include Medlive, MedSci, and DXY.cn, with revenues from healthcare marketing estimated to range from RMB50 million to RMB300 million in 2020. As the digital healthcare marketing market is very fragmented and diverse, players in this market do not always perfectly fall under one specific category. The Company provides comprehensive digital healthcare marketing services that share similar features with service providers in each of the six categories and cannot be strictly classified under any of the categories above.

Alternatively, the digital healthcare marketing market can be categorized by revenue channels, namely, the provision of services and sales of products. The digital healthcare services market can be further categorized into three segments, namely, services for pharmaceutical and medical device companies, services for complementary healthcare product companies, and others. The Company is a player in the market of digital marketing services market for pharmaceutical and medical device companies. In 2020, the Company ranks the second in terms of revenue in the market of digital marketing services market for pharmaceutical and medical device companies in China, with a market share of 10.9%. The diagram below illustrates the market shares of the major players in terms of revenue in the market of digital marketing services market for pharmaceutical and medical device companies in China in 2020.

Market Share of Digital Marketing Services Market for Pharmaceutical and Medical Device Companies, Breakdown by Service Providers, 2020



Source: The Frost & Sullivan Report

Note:

Company L is a private company headquartered in Shanghai, established in 2008, with approximately 4 million registered users, that connects physicians, pharmaceuticals, biotech and patients through digital platforms and events to promote professional information sharing among all stakeholders in the healthcare services industry.

Company M is a private company headquartered in Beijing, established in 2014, with over 1,000 employees, that developed a SaaS platform to provide real time data analysis, progress visualization, results digitization and marketing services, improving pharmaceutical sales management and helping pharmaceutical enterprises develop brand image and awareness.

China's chronic condition management market, is facing challenges including unbalanced medical resource allocation, operational inefficiency, a lack of digital infrastructure and unsatisfactory patient experience.

China's healthcare system involves a variety of stakeholders and is poised for tremendous disruption opportunities. Integration of healthcare resources and enabling seamless collaboration among industry stakeholders are essential to delivering better medical care for end users. Leading players are expected to continue to enjoy significant first-mover advantages in terms of powerful network effects, in-depth and valuable doctor-patient relationship, active user base, innovative technologies and in-depth insights.

We focus on leading the digitalization of China's chronic condition management segment through our distinctive SaaS-based solutions and have achieved market leadership.

- According to Frost & Sullivan, there were 37,000 hospitals in China, among which 14,076 are Class III and Class II hospitals as of December 31, 2021. We ranked the first among hospital SaaS solution providers who focus on chronic condition management in China in terms of number of hospitals installed or hospital SaaS in 2021, representing a Class III and Class II hospital penetration rate of approximately 11.9%, according to Frost & Sullivan. The overall digital chronic condition management hospital SaaS penetration in China is approximately 17.5% in 2021. Please see below the competitive landscape of digital chronic condition management hospital SaaS in terms of hospital installation volume as of December 31, 2021.

Company	Listing Status	Hospital Coverage, Dec. 31 2021	Hospital Penetration	Customization	Product & Services	Core Features
The Company	Unlisted	2,369	6.4%	Standard product	• Chronic condition management software for doctors and nurses • Plug-ins and extensions to connect to HIS and EMR • In-hospital multi-department virtual consultations and inter-hospital referral services	• Fast installation • Patented AIoT to enable automatic data synchronization to replace the manual data inputting process to minimize data mismatches and enhance efficiency
E	Unlisted	900	2.4%	Customized product	• Hardware for self health monitoring • Health evaluation system to analyze patients' health conditions and provide customized intervention and treatment plans	• AI-empowered analysis tool • Construction of personal health records • Remote patient monitoring
F	Unlisted	800	2.2%	Customized product	• Regional chronic condition management platform • HIS+EMR+CIS • Full-cycle services including data collection, profile construction, evaluation, intervention, and follow-ups	• A three-in-one chronic disease management service model (Hospital + Community + Family) • Reliance on community health checkups • Focus on elderly chronic condition management solutions
G	Unlisted	550	1.5%	Customized product	• Mobile APP for physicians and data retrieval on the cloud • Open platform for smart devices and real-time reports	• Doctors can provide services such as online consultation, audio consultation, registration reservation through the APP • Hierarchical alert and management and blood glucose level analysis for diabetic patients
H	Unlisted	325	0.9%	Customized product	• Wearable devices for real-time continuous blood glucose monitoring (rtCGM) • Information system for diabetes management	• Real-time continuous blood glucose level monitoring

1 Hospital SaaS penetration rate refers to the proportion of hospitals covered by the hospital SaaS of the respective company among all hospitals in China as of December 31, 2021.

2 Hospital SaaS penetration is calculated based on the number of hospitals in 2021 from the National Bureau of Statistics, which is 37,000. The number of Class III and Class II Hospitals in China in 2021 is calculated based on the NHC's announcement on the situation of medical institution services in the country as of July 31, 2021.

Company E is a China-based intelligent medical information service company providing services in medical intelligence, medical informatization, health informatization, regional health informatization, and intelligent detection equipment. Company F is a

China-based healthcare information technology company providing smart hospitals solutions, smart medical community solutions, smart elderly care solutions, and smart manufacturing solutions. Company G is a China-based chronic disease management platform, offering expert consultation, cloud medical records, and medication management. Company H is a China-based smart chronic disease telemedicine platform, providing chronic disease monitoring, online nutrition assessment and online consultation.

- According to Frost & Sullivan, there were in total 604,500 pharmacies in China as of December 31, 2021. We ranked first among pharmacy SaaS solution providers in China in terms of number of pharmacies installed our pharmacy SaaS in 2021, representing a penetration rate of 28.5%, according to Frost & Sullivan. Pharmacy SaaS refers to software with online prescription and inventory management capabilities. Please see below the competitive landscape of pharmacy SaaS in terms of pharmacy installation volume as of December 31, 2021.

Company	Listing Status	Pharmacy Coverage, Dec. 2021	Pharmacy Penetration	Features	Business Model
The Company	Unlisted	172,000	28.5%	• Flexible consultation mode including text and photo-based and video-based consultation sessions • Algorithm enabling precise matching with prescribing physician to reduce waiting time • Automatic scrutinization of prescription mistakes • Compliance in prescription ensuring safety and trust • One-stop inventory, orders, customers, and staff management	• Freemium model for SaaS • Annual subscription fee
I	Unlisted	75,000	12.4%	• Online consultation and prescription services • Connect upstream manufacturers and downstream pharmacies • Integrate pharmacies to systematically enhance their inventory management capability, membership marketing capability, chronic disease management capability, network collaboration capability	• Free SaaS as a means to increase product sales channel
D	Unlisted	40,000	6.6%	• Pharmacy SaaS is installed to enable online medical consultation, which can help prescribe drugs • Inventory management	• Pharmacies are charged technical service fees of SaaS and online consultation fees

Company	Listing Status	Pharmacy Coverage, Dec. 2021	Pharmacy Penetration	Features	Business Model
J	Unlisted	35,000	5.8%	• Remote diagnosis and medication guidance from doctors via the SaaS terminal installed at pharmacies • Remote prescription review platform • Diagnosis — Prescription — Review — Purchase in pharmacies • Inventory management	• Pharmacies are charged technical service fees of SaaS and online consultation fees
K	Unlisted	15,000	2.5%	• ERP software with features including medical insurance connection, supply chain and inventory management, customer relation management, etc. • Online consultation and prescription services • Remote prescription audit services	• SaaS with various features are often sold in bundles

1 Pharmacy SaaS penetration rate refers to the proportion of pharmacies covered by the pharmacy SaaS of the respective company among all pharmacies in China as of December 31, 2021.

2 Pharmacy SaaS penetration is calculated based on the number of retail pharmacies forecast based on information from the historical figures from Statistical Reports on Drug Supervision and Administration published by NMPA.

Company I is a China-based digital pharmacy platform, with B2C pharmaceutical e-commerce as its main development business providing drug consultation and disease consultation. Company J is a China-based online medical care platform offering remote pharmaceutical and medical service, remote consultation and prescription. Company K is a China-based retail pharmacy management platform, mainly providing pharmacy supply chain and service management, online prescription service, and remote prescription audit service.

We bring hospitals, pharmacies and doctors onto our platform where they can effectively deliver integrated services through both in- and out-of-hospital patient journey. We are the largest digital chronic condition management platform in China, both in terms of numbers of hospital and pharmacy SaaS installations, each as of December 31, 2021, and number of online prescriptions in 2021, according to Frost & Sullivan.

Ranking	Company name	Listing status	Average daily online effective prescriptions in 2021	Number of 2021 total online effective prescriptions (million)	Market share of 2021 total online effective prescriptions
1	The Company	Unlisted	approximately 420,000	153.4	10.2%
2	A	Listed	approximately 320,000	116.8	7.7%
3	B	Listed	approximately 145,000	52.9	3.5%
4	C	Listed	approximately 120,000	43.8	2.9%
5	D	Unlisted	approximately 80,000	29.2	1.9%

In 2021, the number of total prescriptions including offline and online is 14.1 billion. Over the same period, the number of online prescriptions is 1,511.3 million. The penetration of online prescriptions reached 7.7% in China in 2020 and is forecasted to further increase to 26.1% in 2025 and 37.7% in 2030. The Company has 58.2 million online prescriptions in 2020, representing 6.7%

of all online prescriptions in China in 2020. In 2021, the number of total online prescription in China is 1,511.3 million. The Company is the largest online medical service provider in China in terms of daily prescription volume in 2021, with approximately 420,000 average daily online prescriptions. The Company has 153.4 million total online prescriptions during the period, representing a 10.2% market share in 2021. Company A is a China-based and Hong Kong listed online healthcare platform engaged in pharmaceutical direct sales, pharmaceutical e-commerce platform, medical and healthcare services, and digital infrastructure businesses, offering prescription drugs, OTC drugs, medical devices, and other health-related products through its online e-commerce platform and offline pharmacy outlets, as well as healthcare services through its online e-commerce platform. Company B is a China-based and Hong Kong listed online healthcare platform engaged in the business of retail pharmacy, which operates through business models such as direct sales and online marketplace, and online healthcare services such as online consultation, hospital or doctor referral, health check-ups, beauty care services. It also offers access to healthcare check-ups, vaccination appointments, and dental care services. Company C is a China-based and Hong Kong listed online healthcare platform that offers an AI-assisted mobile platform for online consultations, hospital referrals and appointments, health management, and wellness interaction services, with the mission to build a healthcare ecosystem and to bridge the communication gap between doctors and patients. Company D is a China-based medical health technology platform offering appointment booking, medical education, online diagnosis, consultations and prescriptions.

Source of Information

In connection with the **[REDACTED]**, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report on the markets in which we operate. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We incurred a total of RMB1,350,000 in fees and expenses for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful **[REDACTED]** or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the **[REDACTED]**.

We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of the markets in which we operate for potential **[REDACTED]**. Frost & Sullivan prepared its report based on its in-house database, independent third party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

In preparing the Frost & Sullivan Report, Frost & Sullivan relied on market information which has a variety of data sources, including external information channels and Frost & Sullivan internal database. External information channels consist of both primary and secondary research, including industry interviews, public information, and annual reports.

OVERVIEW

Our history began in December 2014 with the establishment of Hangzhou Kangsheng. We have pioneered healthcare digitalization in China with solutions for hospitals, pharmacies, pharmaceutical companies, patients and doctors. We have been led by our founder, Mr. Kuang Ming, who has over 15 years of experience in healthcare and technology industries. We received multiple series of equity financings to support our expansion of business operations from 2014 to 2021.

KEY BUSINESS MILESTONES

The following is a summary of our Group's key business development milestones:

Year	Event
2014	Established Hangzhou Kangsheng
	Completed our Onshore Angel fundraising, and raised a total amount of approximately RMB14 million
2015	Incorporated our Company, as the holding company of our Group
	Launched our first version of patient facing app for chronic conditions management
2016	Launched hospital SaaS for chronic condition management which was the first of its kind in China
	Obtained pharmaceutical business licence (藥品經營許可證) and licence of drug information service over the internet (互聯網藥品交易服務許可證)
	Completed our Round A fundraising, and raised a total amount of approximately RMB55.85 million
	Completed our Round B fundraising, and raised a total amount of approximately US$10.59 million
2017	Formed our first exclusive partnership to regionally sell medical device and consumables with a global leading company in chronic condition management
	Completed our Round B-1 fundraising, and raised a total amount of approximately US$10 million
	Completed our Round C-1 fundraising, and raised a total amount of approximately US14 million

Year	Event
2018	Deployed first hospital wide integrated (全院管理) SaaS solution in a leading Class III hospital in China
	Obtained our first Internet hospital licence
	Completed our Series C-2 fundraising, and raised a total amount of approximately RMB345 million
2019	Launched pharmacy SaaS for online consultation and prescription
	Completed our Series C-3 and Series D fundraising, and raised a total amount of approximately US$42 million and US$94 million, respectively
2020	Launched enhanced functions of inventory management and new retail services under the pharmacy SaaS products
	Completed our Series D+ and Series E fundraising, and raised a total amount of approximately US$44 million and US$65 million, respectively
2021	Reached over 87,000 registered doctors and approximately 23.8 million registered users on our platform
	Completed our Series E+ fundraising, and raised a total amount of approximately US$184 million

CORPORATE DEVELOPMENT OF OUR GROUP

Our major subsidiaries and operating entities

The principal business activities, date of incorporation and date of commencement of business of each member of our Group that made a material contribution to our results of operations during the Track Record Period, are shown below:

Company	Principal business activities	Date of incorporation and commencement of business
Hangzhou Kangsheng *(PRC)*.	Provision of SaaS services, digital marketing services, sale and marketing of products	December 9, 2014
91health Shanghai *(PRC)*.	Sale of products	November 24, 2015

Company	Principal business activities	Date of incorporation and commencement of business
Hangzhou Kangming *(PRC)*.	Provision of internet and e-commerce services	December 11, 2020

CORPORATE DEVELOPMENT OF OUR GROUP

Commencement of our business and onshore equity financing

During the Track Record Period, our businesses were primarily operated through Hangzhou Kangsheng.

Hangzhou Kangsheng was established on December 9, 2014, with an initial registered capital of RMB1,000,000 which was held as to (i) 97% by Mr. Kuang, and (ii) 3% by Ms. Song Xiao Feng, an Independent Third Party. Mr. Kuang and Ms. Song Xiao Feng made their respective contribution to the capital of Hangzhou Kangsheng using their personal funds.

From December 2014 to July 2021, our Group conducted various series of onshore and offshore equity financings, pursuant to which the **[REDACTED]** Investors or their affiliates invested in our business. See "— **[REDACTED]** Investments" and "— Capitalisation" in this section for details. Following such onshore financing and immediately prior to our Reorganisation, Hangzhou Kangsheng was 100% held by Mr. Kuang.

For material shareholding changes of each of our Group's major subsidiaries, see "Statutory and general information — A. Further Information About Our Group — 3. Changes in the share capital of members of our Group" in Appendix IV for details.

Establishment of our Company

In order to facilitate capital raising from offshore investors, our Company was incorporated as an exempted company with limited liability in the Cayman Islands on August 24, 2015 as the offshore holding company of our Group. Upon incorporation, the authorised share capital of our Company was US$50,000 divided into 500,000,000 shares with a par value of US$0.0001 each. At the time of incorporation, our Company issued one share with a par value of US$0.0001 to an Independent Third Party, which was transferred to HaoYuan health Limited (formerly known as ClouDr Limited) on the same day. The entire interest in HaoYuan health Limited is held through a trust which was established by Mr. Kuang (as settlor) and the beneficiaries of which include himself and his family members. Also on the same date, HaoYuan health Limited additionally subscribed for 65,799,999 ordinary shares of our Company with a par value of US$0.0001 each for nil consideration.

For subsequent shareholding changes of our Company as part of the **[REDACTED]** Investments and Reorganization, see the sub-sections headed "**[REDACTED]** Investments" and "Reorganisation" in this section.

REORGANISATION

The principal steps of the reorganisation, carried out in preparation for the **[REDACTED]** and to streamline our corporate structure, are set out below.

Incorporation of Hangzhou Kangming

With a view to complying with the requirements under the Listing Decision LD43-3 to the extent practicable and to streamline our corporate structure, we underwent reorganization of the holding structure of our onshore subsidiaries and Consolidated Affiliated Entities, so that the Consolidated Affiliated Entities operating each of our *ClouDr. Doctor* platform and *ClouDr. Health*, insurance brokerage business and internet and physical hospital business can be held by a separate onshore holding company and controlled through 91health Hangzhou. For this purpose, Hangzhou Kangming was incorporated as a limited liability company in the PRC on December 11, 2020, with an initial registered capital of RMB1 million. Upon its incorporation, Hangzhou Kangming was held as to 80% by Mr. Kuang and 20% by Ms. Hu Yue, head of human resources of our Group (the "**Registered Shareholders**").

Entry into of the New Contractual Arrangements

Our Group entered into certain previous contractual arrangements in 2015. 91health Shanghai was incorporated on November 24, 2015 in the PRC as a wholly-owned foreign enterprise for the purposes of the previous contractual arrangements in 2015. As part of the reorganization and to replace the previous contractual arrangements, on June 16, 2021, 91health Hangzhou entered into various agreements which constituted the Contractual Arrangements with Hangzhou Kangming and the Registered Shareholders, under which we are able to exercise effective control over Hangzhou Kangming and substantially all of the economic benefits arising from the businesses of our Consolidated Affiliated Entities are transferred to 91health Hangzhou. See the section headed "Contractual Arrangements" for further details.

Transfer of certain subsidiaries to Hangzhou Kangming

Shortly after Hangzhou Kangming obtained the value-added telecommunication license and entered into the Contractual Arrangements, the entire equity interest of Yinchuan Zhiyun Internet Hospital and 30% equity interest of Tianjin Zhiyun were transferred from Hangzhou Kangsheng to Hangzhou Kangming at nil consideration, and 75.1% equity interest of Yinbang Insurance

Brokerage was transferred from Hangzhou Kangsheng to Hangzhou Kangming for a consideration of RMB22,530,000, which was determined based on the paid-in registered capital of Yinbang Insurance Brokerage, and 20% equity interest of Chengdu Zhiyun Internet Hospital was transferred from Hangzhou Kangming to Hangzhou Kangsheng at nil consideration.

Shareholding change of Hangzhou Kangsheng

On June 30, 2021, Mr. Liu Weize, an Independent Third Party foreign investor, subscribed for RMB100,000 of registered capital of Hangzhou Kangsheng at a consideration of RMB100,000, which was determined with reference to the appraised valuation of Hangzhou Kangsheng by an independent appraiser, and as a result, the registered capital of Hangzhou Kangsheng was increased to RMB13,969,948 and it became a sino-foreign equity joint venture. On July 30, 2021, 91health Hangzhou acquired the entire equity interest of Hangzhou Kangsheng from Mr. Kuang and Mr. Liu Weize, at a consideration of RMB10,000,000 and RMB100,000, respectively, which was determined with reference to the same valuation of Hangzhou Kangsheng by an independent appraiser. After completion of such transaction, Hangzhou Kangsheng became a wholly-owned subsidiary of our Company.

Our PRC Legal Adviser confirmed that: (i) all necessary regulatory approvals, permits and licenses required under PRC laws in relation to the Reorganization have been obtained; and (ii) all share transfers and changes in registered capital as part of the Reorganization has complied with all applicable PRC laws in all material respects.

Our acquisitions of subsidiaries during the Track Record Period were accounted for as acquisitions of assets or business combinations. See pages I-56 to I-57 and I-95 to I-97 of the Accountants' Report in Appendix I to this document for details about acquisitions accounted for as acquisitions of assets and acquisitions that constitute business combinations, respectively.

CONVERSION OF PREFERRED SHARES

On June 10, 2022, our shareholders resolved, among other things, that subject to the **[REDACTED]** becoming unconditional, all the Preferred Shares be re-classified and re-designated as Shares on a one-for-one basis so that the authorised share capital of our Company immediately prior to the completion of the **[REDACTED]** will be **[REDACTED]** divided into **[REDACTED]** ordinary shares of a par value of **[REDACTED]** each.

VOTING AGREEMENTS

Mr. Kuang has entered into a voting proxy agreement (the "**Voting Agreement**" and together the "**Voting Agreements**") respectively with (i) SIG Global China Fund I, LLLP dated May 5, 2022; (ii) FORTUNE SEEKER INVESTMENTS LIMITED dated May 17, 2022; (iii) Treasure Harvest Investments Limited dated May 17, 2022; and (iv) Tembusu HZ II Limited dated May 18, 2022 before **[REDACTED]**, pursuant to which each of SIG Global China Fund I, LLLP, FORTUNE SEEKER INVESTMENTS LIMITED, Treasure Harvest Investments Limited and Tembusu HZ II Limited (each a "**Proxy Grantor**", and together the "**Proxy Grantors**") granted Mr. Kuang, as their respective attorney, a voting proxy of **[REDACTED]** of the Shares that each Proxy Grantor holds, in our Company upon **[REDACTED]** (the "**Relevant Shares**"), representing an aggregate of approximately **[REDACTED]** voting power in our Company immediately upon the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme). The Proxy Grantor are parties acting in concert with Mr. Kuang with respect to the voting power in our Company pursuant to the Voting Agreements. Mr. Kuang control a voting power of **[REDACTED]** in our Company as of the date of this document as the grant of voting proxy under the Voting Agreements will only be effective upon **[REDACTED]**. Together with the voting power in our Company that Mr. Kuang holds through HaoYuan health Limited (formerly known as ClouDr Limited), Mr. Kuang will control an aggregate of approximately **[REDACTED]** voting power in our Company immediately upon the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme).

The Proxy Grantors have in principal agreed to enter into the respective Proxy Agreements as they are confident in the leadership of Mr. Kuang given the success of the Company and would like to assist Mr. Kuang to maintain a certain level of control over the voting power of the Company. At the same time, the Proxy Grantors would also like to retain part of their voting power to exercise such voting power if needed and therefore would like to keep **[REDACTED]** of the voting power of the Shares they each hold.

Pursuant to the Voting Agreements, during the term of the relevant agreements, Mr. Kuang shall have full power to exercise the shareholder's rights to vote the Relevant Shares according to the provisions of applicable laws and the memorandum and articles of association of our Company (as amended from time to time).

The above arrangements between each of SIG Global China Fund I, LLLP and Tembusu HZ II Limited and Mr. Kuang shall remain in full force and effect until being terminated by mutual agreement between the parties thereto. The above arrangements between FORTUNE SEEKER INVESTMENTS LIMITED, Treasure Harvest Investments Limited and Mr. Kuang shall remain in full force and effect until (i) they have disposed of more than **[REDACTED]** of their Shares or (ii)

such arrangements being terminated by mutual agreement between the parties thereto, whichever is the earlier. Notwithstanding the foregoing, the Voting Agreements shall be terminated with immediate effect if the relevant Proxy Grantor ceases to be a shareholder of our Company.

[REDACTED] INVESTMENTS

We underwent eleven rounds of **[REDACTED]** investment (together, the "**[REDACTED] Investments**"). The below table summarises the principal terms of the **[REDACTED]** Investments:

Series	Date of investment	Date on which Consideration was fully settled	Approximate amount raised	Approximate valuation of our Company	Cost per share paid	Discount to the [REDACTED][(1)]
Onshore Angel	December 30, 2014	January 30, 2015	RMB14 million	RMB70 million[(2)]	US$0.11[(2)]	**[REDACTED]**[(2)]
Round A	January 25, 2016	July 8, 2016	RMB55.85 million	RMB204 million	US$0.21	**[REDACTED]**
Round B	July 7, 2016	July 12, 2021[(3)]	US$10.59 million	US$66 million	US$0.37	**[REDACTED]**
Round B-1	April 19, 2017	October 19, 2017	US$10.00 million	US$100 million	US$0.51	**[REDACTED]**
Round C-1	September 21, 2017	May 4, 2018	US$14 million	US$164 million	US$0.72	**[REDACTED]**
Round C-2	December 10, 2018	June 5, 2019	RMB345 million	RMB1,545 million	US$0.77	**[REDACTED]**
Round C-3	August 9, 2019	December 6, 2019	US$42 million	US$330 million	US$0.97	**[REDACTED]**
Round D	December 24, 2019	June 4, 2020	US$94 million	US$523 million	US$1.22	**[REDACTED]**
Round D+	July 15, 2020	July 20, 2020	US$44 million	US$902 million	US$2.01	**[REDACTED]**
Round E	November 11, 2020	November 27, 2020	US$65 million	US$1,416 million	US$2.72	**[REDACTED]**
Round E+	May 21, 2021 and July 7, 2021	July 13, 2021	US$184.00 million	US$2,184 million	US$3.84	**[REDACTED]**

Notes:

(1) Assuming the **[REDACTED]** is fixed at **[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range of **[REDACTED]** to **[REDACTED]** per Share.

(2) Onshore angel investment was made in respect of Hangzhou Kangsheng before the Company was incorporated and such valuation refers to that of Hangzhou Kangsheng.

(3) Mr. Kuang settled his investment obligation under the agreement for the round B **[REDACTED]** Investment in 2021 due to commercial consideration.

Basis of consideration

The consideration for the **[REDACTED]** Investments was determined based on arm's length negotiations between our Company and the **[REDACTED]** Investors after taking into consideration the timing of the investments and the status of our business and operating entities.

[REDACTED] from the [REDACTED] investments

We utilised the **[REDACTED]** for the development and operation of the business of the members of our Group, including but not limited to, business expansion, capital expenditures, and marketing. As of the Latest Practicable Date, approximately 76.3% of the **[REDACTED]** from the **[REDACTED]** Investments by the **[REDACTED]** Investors were utilised by our operating subsidiaries.

Strategic benefits of the [REDACTED] investment

The management considers that there are great strategic cooperation value in different aspects in introducing the **[REDACTED]** Investors to invest in the Company and the Company could benefit from the knowledge, experience and resources of our **[REDACTED]** Investors, in particular:

1) the investments from Sunshine Life Insurance Corporation Limited, and INNOVAC INTERNATIONAL LIMITED, which are established players in the insurance sector, facilitate the cooperation between the Company and these insurance companies in promoting the Company's solutions in China;

2) the investment from Sino Culture International II L.P. which have been developing their community service, including health and medical service, provide synergy effects in cooperation with the Company and opportunities for the Company to provide patients with platform to communicate with doctors remotely to receive diagnosis and treatment;

3) the investment from Sunny Speed Limited, which is a subsidiary of Chow Tai Fook Enterprises Limited ("**Chow Tai Fook**") which, through one of its portfolio companies UMP Healthcare Holdings Limited (a company listed on the Stock Exchange, stock code: 722), operates a wide network of community health clinics in the PRC. The Company plans to further its cooperation with Chow Tai Fook and enhance its business through such network of clinics; and

4) the investment from Hongkong Tigermed Co., Limited and Tianjin Huaxin Pharmaceutical Venture Capital Partnership (Limited Partnership) demonstrate confidence in the Company from experienced investors in the healthcare sector.

For the remaining **[REDACTED]** Investors, their investment provided additional working capital for our Company's continued growth.

Moreover, our Directors were also of the view that our Company could benefit from the **[REDACTED]** Investments as the **[REDACTED]** Investors' investments demonstrated their confidence in the operations of our Company and served as an endorsement of our Company's performance, strengths and prospects.

Lock-up

[Whilst the **[REDACTED]** Investors are not subject to any lock-up arrangements in relation to the **[REDACTED]** Investments, it is expected that lock-up undertakings will be given to the **[REDACTED]**.]

Special rights of the [REDACTED] Investors

Certain special rights were granted to our **[REDACTED]** Investors under the shareholder agreement dated July 7, 2021 and our existing memorandum and articles. Such special rights have been waived upon submission of our **[REDACTED]** application and/or will be terminated upon the **[REDACTED]** in particular, special rights of the **[REDACTED]** Investors including information and inspection rights, preemptive rights, restriction on transfers, right of first refusal,

co-sale rights, director nomination/appointment rights, veto rights and requirement for prior consent for certain corporate actions/changes in articles, anti-dilution rights and drag-along rights will be terminated upon **[REDACTED]**, in compliance with Guidance Letter HKEX-GL43-12 issued by the Stock Exchange.

[REDACTED]

Information on the [REDACTED] Investors

We set out below a description of our principal **[REDACTED]** Investors, being 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.

Shanghai Qiji Technology Partnership (Limited Partnership) is a limited partnership incorporated under the laws of the PRC, which is ultimately controlled by China Merchants Bank Co., Limited (a company listed on the Stock Exchange, stock code: 3968). Its general partner and sole limited partner are CMB International Financial Holdings (Shenzhen) Limited (招銀國際金融控股(深圳)有限公司) and CMB Financial Holdings (Shenzhen) Limited (招銀金融控股(深圳)有限公司) respectively, both of which are companies incorporated under the laws of the PRC with limited liability and wholly owned subsidiaries of China Merchants Bank Co., Limited.

SIG Global China Fund I, LLLP ("**SIG Global**") is a Delaware limited liability limited partnership. SIG Asia Investment, LLLP, a Delaware limited liability limited partnership, is the investment manager for SIG Global. Heights Capital Management, Inc., a Delaware Corporation, is the investment manager for SIG Asia Investment, LLLP. SIG Global is ultimately wholly owned by an individual who is a US citizen and an Independent Third Party.

Each of IDG China Venture Capital Fund IV, L.P. (the "**IDG Main Fund**") and IDG China IV Investors L.P. (the "**IDG Side Fund**") is each an exempted limited partnership organized and existing under the laws of Cayman Islands, and is primarily engaged in equity investment. IDG China Venture Capital Fund IV Associates L.P., a limited partnership established in Cayman Islands, acts as the sole general partner of the IDG Main Fund. IDG China Venture Capital Fund GP IV Associates Ltd (the "**IDG Ultimate General Partner**") is the sole general partner of IDG China Venture Capital Fund IV Associates L.P.. The IDG Ultimate General Partner is also the direct and sole general partner of the IDG Side Fund. The directors of IDG Ultimate General Partner are Ho Chi Sing and Zhou Quan.

Sunshine Life Insurance Corporation Limited is a limited liability company incorporated in the PRC and is owned as to 99.99% and 0.0001% by Sunshine Insurance Group Inc., Ltd. (陽光保險集團股份有限公司) ("**Sunshine Insurance**") and Lhasa Huiju Corporate Management and Consulting Co., Ltd. (拉薩市慧聚企業管理諮詢有限公司), respectively. To the best knowledge of the Company, there is no shareholder of Sunshine Insurance holding 10% or more of its shares, and the shareholders of Sunshine Insurance are Independent Third Parties. The Sunshine Insurance group offers a range of insurance products including property insurance, life insurance.

Lionet Fund, L.P. is a limited partnership incorporated under the laws of Cayman Islands. The general partner of Lionet Fund, L.P. is Grandiflora Hook GP Limited, which is ultimately controlled by Mr. Eric Li, an Independent Third Party. Lionet Fund, L.P. focuses on investment opportunities being created in emerging industries driven by innovations, and traditional industries being transformed and upgraded. Lionet Fund, L.P. intends to make investments in growth-stage portfolios (and in early-stage and mature-stage portfolios where appropriate) in logistics, healthcare, TMT (including telecommunication, media and technology) and consumer industries, by acquiring, holding and disposing of such investments to provide long-term investment return to the limited partners. Lionet Fund, L.P. has 19 limited partners which comprise sovereign wealth funds, Fund of Funds, financial institutions, large-scale industrial institutions, each of which holds less than 15% interest in Lionet Fund, L.P. To the best knowledge of the Company, the limited partners of Lionet Fund, L.P. are independent from the Group.

FORTUNE SEEKER INVESTMENTS LIMITED ("**Fortune Seeker**") is a limited liability company established under the laws of the British Virgin Islands. Treasure Harvest Investments Limited ("**Treasure Harvest**") is a limited liability company established under the laws of Cayman Islands. Fortune Seeker and Treasure Harvest are the investment vehicles wholly-owned by Marble

Ridge Holdings Limited, which is ultimately controlled by Oriental Patron Financial Group Limited ("**Oriental Patron**"), and ultimately beneficially owned as to (1) 51.0% by Mr. Zhang Zhi Pang and (2) 49.0% by Mr. Zhang Gaobo, each an Independent Third Party. Oriental Patron is a leading full-cycle financial group in Hong Kong, providing a diversified investment and management platform. It focuses on discovering investment opportunities with growth prospects in the new economy industry and domestic demand market, and takes advantage of the licensed platform, cross-border and cross-sector capabilities to motivate the integration of industries, technology, and financial capital.

INNOVAC INTERNATIONAL LIMITED is an investment holding company incorporated in the British Virgin Islands. It is wholly owned by Shanghai Changzhou Shengyu Investment Partnership (Limited Partnership) (上海盛瑜投資合夥企業(有限合夥)), whose general partner is Changzhou Jianteng Investment Partnership (Limited Partnership) (常州健騰投資合夥企業(有限合夥)), which is controlled by PingAn Dingchuang Investment Management Co., Ltd (平安鼎創股權投資管理(上海)有限公司) ("**PingAn Ventures**"). PingAn Ventures is the only healthcare investment platform for a leading Chinese insurance group, the PingAn Group. The fund has assets under management of over RMB8 billion, invested over 60 projects globally across different investment stages, including venture capital, buyout, privatization, vulture investment, and strategic investment, mainly in healthcare industry. To the best knowledge of the Company, (i) all shareholders of PingAn Ventures hold less than 20% of its shares, among which, Ping An Insurance (Group) Company Limited (the shares of which are listed on the Shanghai Stock Exchange (stock code: 601318) and the Stock Exchange (stock code: 2318)), its single largest shareholder, holds approximately 19.80%, and (ii) the shareholders of PingAn Venture are Independent Third Parties.

Moon Technology Limited is a wholly-owned overseas subsidiary of Zhihan (Shanghai) Investment Center (Limited Partnership) (置瀚(上海)投資中心(有限合夥)). Zhihan (Shanghai) Investment Center (Limited Partnership) (置瀚(上海)投資中心(有限合夥)) is a special purpose vehicle of CICC Qizhi (Shanghai) Equity Investment Center (Limited Partnership) (中金祺智(上海)股權投資中心(有限合夥)). CICC Qizhi is a limited partnership incorporated under the laws of the PRC, with a focus on equity investment, investment management and investment consulting. Its general partner is CICC Qizhi Equity Investment Management Co., Ltd., an investment vehicle ultimately controlled by CICC Capital Management Co., Ltd. (中金資本運營有限公司). CICC Capital Management Co., Ltd. is a wholly-owned subsidiary of China International Capital Corporation Limited (a company listed on the Shanghai Stock Exchange, stock code 601995 and the Stock Exchange, stock code 3908).

Tembusu HZ II Limited is a company incorporated in the British Virgin Islands with limited liability and is an overseas investment holding vehicle of Jingwei Chuangda (Huangzhou) Venture Investment Limited Partnership (經緯創達(杭州)創業投資合夥企業(有限合夥)) ("**Jingwei Chuangda**"). Jingwei Chuangda is a limited liability partnership established in the PRC with

Hangzhou Jingwei Tengchuang Investment Management Partnership (Limited Partnership) (杭州經緯騰創投資管理合夥企業(有限合夥)), an Independent Third Party whose general partner is Shanghai Jingwei Equity Investment Management Co., Ltd. (上海經緯股權投資管理有限公司) ("**Shanghai Jingwei**"). The ultimate beneficial owner of Shanghai Jingwei is Mr. Zuo Lingye. Jingwei Chuangda has 17 limited partners and none of whom holds more than one third of the partnership interest of Jingwei Chuangda. To the best knowledge of our Directors, each of Shanghai Jingwei, Mr. Zuo Lingye and the limited partners of Jingwei Chuangda is an Independent Third Party. Jingwei Chuangda is a venture capital fund with a primary purpose of making investments in the PRC, mainly focusing on companies in SAAS, B2B platforms, advanced technology, mobile internet and healthcare sectors.

SUNNY SPEED LIMITED is a company incorporated in the British Virgin Islands and wholly owned by Healthcare Ventures Holdings Limited which is in turn wholly owned by Chow Tai Fook Enterprises Limited. Chow Tai Fook Enterprises Limited is a wholly owned subsidiary of Chow Tai Fook (Holding) Limited. Chow Tai Fook (Holding) Limited is an approximately 81.03%-owned subsidiary of Chow Tai Fook Capital Limited. Chow Tai Fook Capital Limited is owned as to approximately 48.98% and approximately 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively.

The Valliance Fund is an exempted company established under the laws of the Cayman Islands. Valliance Asset Management Limited ("**Valliance**"), an asset management firm licensed by the SFC, serves as the investment manager of The Valliance Fund. The assets under management of The Valliance Fund is over US$500 million. Mr. Li Lin is the founder and ultimate beneficial owner of Valliance.

Compliance with Stock Exchange guidance

Based on the documents provided by our Company relating to the **[REDACTED]** Investments, the Joint Sponsors have confirmed that the **[REDACTED]** Investments are in compliance with the Interim Guidance on **[REDACTED]** Investments issued by the Stock Exchange in October 2010, as updated in March 2017, the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017, and the Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

CAPITALISATION

The below table is a summary of the capitalisation of our Company following the **[REDACTED]** Investments and Reorganisation:

Shareholder	Ordinary shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series B-1 Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series C-3-1 Preferred Shares	Series C-3-2 Preferred Shares	Series D Preferred Shares (1st and 2nd tranche)	Series D+ Preferred Shares	Series E Preferred Shares	Series E+ Preferred Shares	Total number of shares	Ownership percentage as of the date of this document	Ownership percentage immediately after completion of the [REDACTED][1]
HaoYuan health Limited (formerly known as ClouDr Limited)[2]	88,495,161	—	—	803,603	—	116,016	—	—	—	—	—	—	—	89,414,780	15.74%	[REDACTED]
Shenzhen Guangqi Songhe Metamaterials Ventures (Limited Partnership)	3,000,000	—	—	—	—	—	—	—	—	—	—	—	—	3,000,000	0.53%	[REDACTED]
Tembusu HZ II Limited[4]	—	10,000,000	5,156,457	2,444,217	—	—	—	—	—	—	—	—	—	17,600,674	3.10%	[REDACTED]
INNOVAC INTERNATIONAL LIMITED	—	10,000,000	5,782,599	3,160,841	—	—	—	—	—	—	—	—	—	18,943,440	3.34%	[REDACTED]
IDG China Venture Capital Fund IV L.P.	—	—	20,896,911	4,022,191	—	1,329,019	—	—	—	—	—	—	691,711	26,939,832	4.74%	[REDACTED]
IDG China IV Investors L.P.	—	—	2,675,465	514,967	—	170,156	—	—	—	—	—	—	88,561	3,449,149	0.61%	[REDACTED]
FORTUNE SEEKER INVESTMENTS LIMITED[4]	—	—	5,156,457	4,673,006	—	—	—	2,019,908	7,244,690	—	—	—	—	19,094,061	3.36%	[REDACTED]
Chang'an Private Equity Limited	—	—	—	4,018,019	—	—	—	—	—	—	—	—	—	4,018,019	0.71%	[REDACTED]
SIG Global China Fund I, LLLP[4]	—	—	—	1,905,472	—	—	5,655,742	3,366,513	12,074,483	2,858,244	—	4,409,875	1,300,454	31,570,783	5.56%	[REDACTED]
Chongqing GP Health Service Investment Fund II LLP (Limited Partnership)	—	—	—	—	5,070,423	—	—	—	—	—	—	—	—	5,070,423	0.89%	[REDACTED]
Jiaxing Hezhong Zhiyun Equity Investment Partnership (Limited Partnership)	—	—	—	—	2,216,597	—	—	—	—	—	—	—	—	2,216,597	0.39%	[REDACTED]
Sunshine Life Insurance Corporation Limited	—	—	—	—	4,957,507	—	—	—	—	20,416,025	—	—	—	25,373,532	4.47%	[REDACTED]
Chunbao Lai Holding Limited	—	—	—	—	1,890,763	—	—	—	—	—	—	—	—	1,890,763	0.33%	[REDACTED]
Dehou Hu Holding Limited	—	—	—	—	1,659,596	—	—	—	—	—	—	—	—	1,659,596	0.29%	[REDACTED]
Summer E-Health Holdings Limited	—	—	—	—	2,370,852	—	—	119,515	2,414,896	—	—	3,674,896	780,272	9,360,431	1.65%	[REDACTED]

Shareholder	Ordinary shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series B-1 Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series C-3-1 Preferred Shares	Series C-3-2 Preferred Shares	Series D Preferred Shares (1st and 2nd tranche)	Series D+ Preferred Shares	Series E Preferred Shares	Series E+ Preferred Shares	Total number of shares	Ownership percentage as of the date of this document	Ownership percentage immediately after completion of the [REDACTED][1]
Hongkong Tigermed Co., Limited	—	—	—	—	1,354,772	—	—	—	—	—	—	—	—	1,354,772	0.24%	[REDACTED]
LB Global-China Expansion Fund	—	—	—	—	—	4,138,348	—	—	—	—	—	—	—	4,138,348	0.73%	[REDACTED]
Yijin Digital Cultural Creation Co., Ltd.	—	—	—	—	—	4,138,348	—	—	—	—	—	—	—	4,138,348	0.73%	[REDACTED]
Ningbo Meishan Free Trade Port Area Shunfan Investment Management Partnership Enterprise (Limited Partnership)	—	—	—	—	—	4,138,348	2,064,346	—	—	—	—	—	—	6,202,694	1.09%	[REDACTED]
Arbor Investment I Holdings Limited	—	—	—	—	—	3,005,964	—	—	—	—	—	—	—	3,005,964	0.53%	[REDACTED]
Moon Technology Limited	—	—	—	—	—	—	18,852,474	—	—	—	—	—	—	18,852,474	3.32%	[REDACTED]
SVIC No.38 New Technology Business Investment L.L.P.	—	—	—	—	—	—	2,602,358	448,869	1,609,931	—	—	—	—	4,661,158	0.82%	[REDACTED]
Bluefly Consulting Limited	—	—	—	—	—	42,505	345,462	—	—	—	—	—	—	387,967	0.07%	[REDACTED]
PROFITWISE LIMITED	—	—	—	—	—	866,969	3,903,537	561,086	2,012,414	—	—	—	—	7,344,006	1.29%	[REDACTED]
Lionet Fund, L.P.	—	—	—	—	—	—	4,430,276	—	—	—	18,437,344	—	1,040,363	23,907,983	4.21%	[REDACTED]
LL Cloud Wise Limited	—	—	—	—	—	—	—	561,086	2,012,414	—	—	—	—	2,573,500	0.45%	[REDACTED]
Tianjin Huaxin Pharmaceutical Venture Capital Partnership (Limited Partnership)	—	—	—	—	—	—	3,770,495	224,434	804,966	2,858,244	—	—	—	7,658,139	1.35%	[REDACTED]
ZD Health Medical Big Data (Hangzhou) Equity Investment Fund Partnership (LLP)	—	—	—	—	—	—	9,426,237	—	—	—	—	—	—	9,426,237	1.66%	[REDACTED]
BIGJOY INTERNATIONAL LIMITED	—	—	—	—	—	228,571	1,160,542	—	—	—	—	—	—	1,389,113	0.25%	[REDACTED]
Juntong Healthcare Device Limited	—	—	—	—	—	—	1,980,624	553,787	—	—	—	—	—	2,534,411	0.45%	[REDACTED]
SVIC No.44 Finance R&D New Technology Business Investment L.L.P.	—	—	—	—	—	—	—	224,434	804,966	—	—	—	—	1,029,400	0.18%	[REDACTED]
SVIC No.46 Samsung Life Insurance New Technology Business Investment L.L.P.	—	—	—	—	—	—	—	224,434	804,966	—	—	—	—	1,029,400	0.18%	[REDACTED]
Shanghai Qiji Technology Partnership (Limited Partnership)	—	—	—	—	—	—	—	—	—	28,582,435	3,556,277	—	—	32,138,712	5.66%	[REDACTED]

Shareholder	Ordinary shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series B-1 Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series C-3-1 Preferred Shares	Series C-3-2 Preferred Shares	Series D Preferred Shares (1st and 2nd tranche)	Series D+ Preferred Shares	Series E Preferred Shares	Series E+ Preferred Shares	Total number of shares	Ownership percentage as of the date of this document	Ownership percentage immediately after completion of the [REDACTED][1]
LB Promising Service Industry Fund	—	—	—	—	—	—	—	—	—	4,083,205	—	—	—	4,083,205	0.72%	[REDACTED]
Treasure Harvest Investments Limited[4]	—	—	—	—	—	—	—	—	—	9,799,692	—	—	—	9,799,692	1.73%	[REDACTED]
Lishui Bojiang Dingsheng NO.15 Equity Investment Partnership (Limited Partnership)	—	—	—	—	—	—	—	—	—	583,315	—	—	—	583,315	0.10%	[REDACTED]
Lishui Boojiang Chuangrui Equity Investment Fund Partnership (Limited Partnership)	—	—	—	—	—	—	—	—	—	5,133,172	—	—	—	5,133,172	0.90%	[REDACTED]
BoomingStar Ventures L.P.	—	—	—	—	—	—	—	—	—	2,449,923	—	—	—	2,449,923	0.43%	[REDACTED]
MSA Master Advantage Fund L.P. (formerly known as MSA Growth Fund II, L.P.)	—	—	—	—	—	—	1,509,333	—	—	—	—	7,349,792	—	8,859,125	1.56%	[REDACTED]
Shanghai Runmin Information Technology Partnership (Limited Partnership)	—	—	—	—	—	—	9,426,237	1,122,171	4,024,828	—	—	—	—	14,573,236	2.57%	[REDACTED]
The Valliance Fund	—	—	—	—	—	—	—	—	—	—	—	2,756,172	13,004,538	15,760,710	2.78%	[REDACTED]
TG River III Investment Ltd	—	—	—	—	—	—	—	—	—	—	—	2,204,937	—	2,204,937	0.39%	[REDACTED]
SUNNY SPEED LIMITED	—	—	—	—	—	—	—	—	—	—	—	3,674,896	13,004,538	16,679,434	2.94%	[REDACTED]
Laurion Capital Master Fund Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	3,901,361	3,901,361	0.69%	[REDACTED]
Li Song Foundation Company Limited	—	—	—	—	—	—	—	—	—	—	—	—	2,600,908	2,600,908	0.46%	[REDACTED]
SINO CULTURE INTERNATIONAL II L.P.	—	—	—	—	—	—	—	—	—	—	—	—	2,600,908	2,600,908	0.46%	[REDACTED]
EPI Fund I ZY Holding Limited	—	—	—	—	—	—	—	—	—	—	—	—	1,560,545	1,560,545	0.28%	[REDACTED]
GEM Holding	—	—	—	—	—	—	—	—	—	—	—	—	1,300,454	1,300,454	0.23%	[REDACTED]
China Taiping Life Insurance (Hong Kong) Company Limited	—	—	—	—	—	—	—	—	—	—	—	—	3,381,180	3,381,180	0.60%	[REDACTED]
EUROCONTINENTAL ASSETS LIMITED	—	—	—	—	—	—	—	—	—	—	—	—	1,300,454	1,300,454	0.23%	[REDACTED]
Zeta Smartgain Limited	—	—	—	—	—	—	—	—	—	—	—	—	1,300,454	1,300,454	0.23%	[REDACTED]
Dreamtogo Limited	1,200,000	—	—	—	—	—	—	—	—	—	—	—	—	1,200,000	0.21%	[REDACTED]

Shareholder	Ordinary shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series B-1 Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series C-3-1 Preferred Shares	Series C-3-2 Preferred Shares	Series D Preferred Shares (1st and 2nd tranche)	Series D+ Preferred Shares	Series E Preferred Shares	Series E+ Preferred Shares	Total number of shares	Ownership percentage as of the date of this document	Ownership percentage immediately after completion of the [REDACTED][1]
REAL PATH DEVELOPMENTS LIMITED	1,080,000	—	—	—	—	—	—	—	—	—	—	—	—	1,080,000	0.19%	[REDACTED]
Sunny Lily Information Technology Co., Limited	2,980,865	—	—	—	—	—	—	—	—	—	—	—	—	2,980,865	0.53%	[REDACTED]
Prime Forest Assets Limited [3]	73,329,635	—	—	—	—	—	—	—	—	—	—	—	—	73,329,635	12.91%	[REDACTED]
[REDACTED]	—	—	—	—	—	—	—	—	—	—	—	—	—	[REDACTED]	—	[REDACTED]
Total Amount	**170,085,661**	**20,000,000**	**39,667,889**	**21,542,316**	**19,520,510**	**18,174,244**	**65,127,663**	**9,426,237**	**33,808,554**	**76,764,255**	**21,993,621**	**24,070,568**	**47,856,701**	[REDACTED]	**100.00%**	**100.00%**

Note 1: 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.

Note 2: The entire interest in HaoYuan health Limited (formerly known as ClouDr Limited) is held through a trust which was established by Mr. Kuang (as settlor) and the beneficiaries of which are Mr. Kuang and his family members.

Note 3: Prime Forest Assets Limited, a limited liability company incorporated under the laws of British Virgin Islands, is wholly-owned by a trust established for the purpose of holding Shares pursuant to the **[REDACTED]** Equity Incentive Scheme. The **[REDACTED]** Equity Incentive Scheme shall be administered by the Board, or a committee consisting of one or more members of the Board of the Company (the "**Scheme Committee**" or "**Scheme Administrator**"), which has the exclusive power, authority and discretion to, administer the **[REDACTED]** Equity Incentive Scheme. In practice, the Board has delegated the administration of the **[REDACTED]** Equity Incentive Scheme to the remuneration committee of the Company (the "**Remuneration Committee**"), which acts as the Scheme Administrator. The Remuneration Committee comprises Dr. Hong Weili, Mr. Zhang Saiyin and Mr. Kuang Ming, with Dr. Hong Weili as chairman. As such, Mr. Kuang is not able to control the Remuneration Committee. As at the Latest Practicable Date, Ms. Mengya Liu, an employee of the Company, was the sole member of the advisory committee for Prime Forest Assets Limited for handling of the administrative matters for the **[REDACTED]** Equity Incentive Scheme and she will take instruction from the Scheme Administrator, i.e. the Remuneration Committee of the Company.

Note 4: Each of SIG Global China Fund I, LLLP, FORTUNE SEEKER INVESTMENTS LIMITED, Treasure Harvest Investments Limited, and Tembusu HZ II Limited are the Proxy Grantors of the Voting Agreements.

Major Acquisition and Disposal

During the Track Record Period, we had not conducted any acquisitions, disposals or mergers that we consider to be material to us.

SAFE registration in the PRC

Under the Circular of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**SAFE Circular 37**"), promulgated by SAFE and which became effective on July 14, 2014, (a) a PRC resident (including PRC individual and PRC entity) must register with the local SAFE branch before such PRC resident contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular 13**"), promulgated by SAFE and which became effective on June 1, 2015, the authority to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As of the Latest Practicable Date, Mr. Kuang completed the required registration with the local SAFE branch on October 23, 2015.

CSRC approval

Under the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》 (the "**M&A Rules**"), a foreign investor is required to obtain necessary approvals when:

(i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or

(ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise.

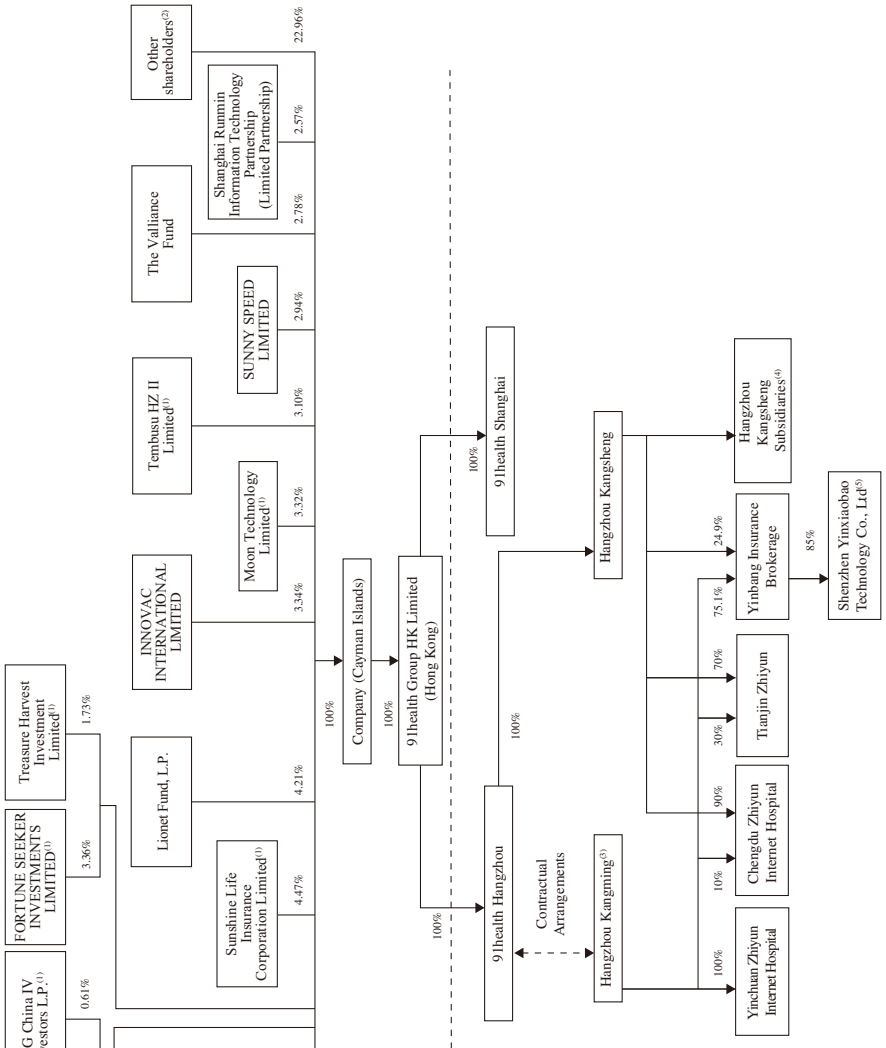
The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Adviser is of the opinion that prior CSRC approval for the **[REDACTED]** under the M&A Rules is not required because none of the incorporation or acquisition of the PRC subsidiaries of the Group involves the merger with or acquisition of the equity or asset of a PRC domestic enterprise, as described under the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and we cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Adviser.

CORPORATE STRUCTURE

Corporate structure before the [REDACTED]

The following diagram illustrates the simplified corporate and shareholding structure of our Group immediately prior to completion of the **[REDACTED]**:



Notes:

1. As disclosed in "— Voting Agreements" above, each of the Proxy Grantors entered into a Voting Agreement with Mr. Kuang, which will become effective upon the **[REDACTED]**, pursuant to which each of the Proxy Grantors has granted Mr. Kuang a voting proxy over certain Shares held by the Proxy Grantors. Accordingly, Mr. Kuang will hold approximately **[REDACTED]** of the voting power in our Company immediately upon the **[REDACTED]**. For further details, see "— Voting Agreements" above.

2. Other shareholders of our Company include all the other shareholders with their respective shareholding amounting to less than 2% of the total shares of the Company and are Independent Third Parties. They include Shenzhen Guangqi Songhe Metamaterials Ventures (Limited Partnership), Summer E-Health Holdings Limited, LB Global-China Expansion Fund, SVIC No.38 New Technology Business Investment L.L.P., SVIC No.44 Finance R&D New Technology Business Investment L.L.P, SVIC No.44 Finance R&D New Technology Business Investment L.L.P., PROFITWISE LIMITED, LL Cloud Wise Limited, Tianjin Huaxin Pharmaceutical Venture Capital Partnership (Limited Partnership), ZD Health Medical Big Data (Hangzhou) Equity Investment Fund Partnership (LLP), LB Promising Service Industry Fund, Lishui Bojiang Dingsheng NO.15 Equity Investment Partnership (Limited Partnership), Lishui Bojiang Chuangrui Equity Investment Fund Partnership (Limited Partnership), BoomingStar Ventures L.P., MSA Master Advantage Fund L.P. (formerly known as MSA Growth Fund II, L.P.), TG River III Investment Ltd, Laurion Capital Master Fund Ltd., Dreamtogo Limited, REAL PATH DEVELOPMENTS LIMITED, Sunny Lily Information Technology Co., Limited, Chongqing GP Health Service Investment Fund II LLP (Limited Partnership), Yijin Digital Cultural Creation Co., Ltd., Chang'an Private Equity Limited, Hongkong Tigermed Co., Limited, China Taiping Life Insurance (Hong Kong) Company Limited, Arbor Investment I Holdings Limited, SINO CULTURE INTERNATIONAL II L.P., Li Song Foundation Company Limited, GEM Holding, Juntong Healthcare Device Limited, Jiaxing Hezhong Zhiyun Equity Investment Partnership (Limited Partnership), Chunbao Lai Holding Limited, Dehou Hu Holding Limited, EPI Fund I ZY Holding Limited, EUROCONTINENTAL ASSETS LIMITED, Zeta Smartgain Limited, BIGJOY INTERNATIONAL LIMITED, Ningbo Meishan Free Trade Port Area Shunfan Investment Management Partnership Enterprise (Limited Partnership) and Bluefly Consulting Limited.

3. See "Contractual Arrangements" for details of the shareholders of Hangzhou Kangming.

4. Hangzhou Kangsheng Subsidiaries include the following:

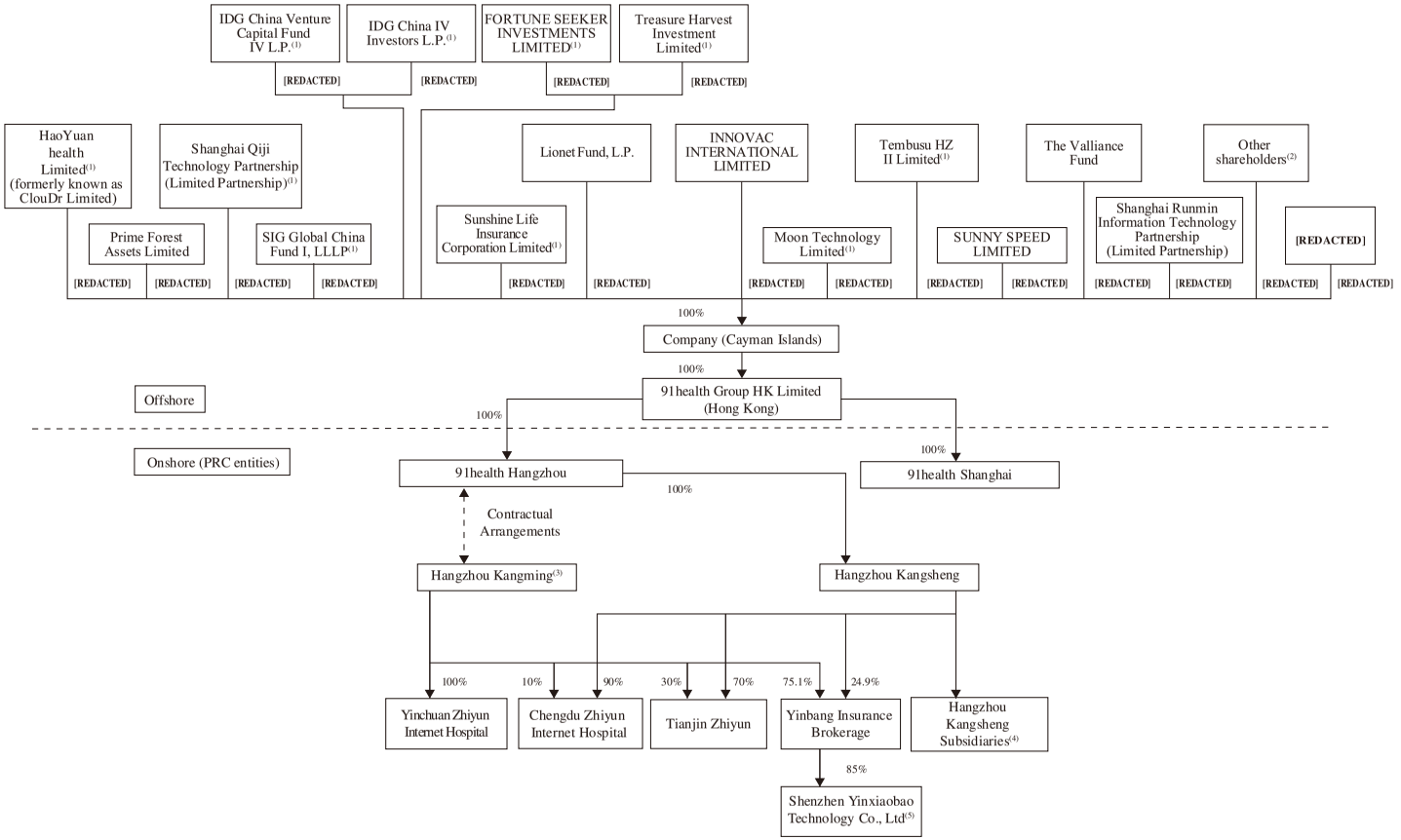
   a. Wholly-owned subsidiaries: Shandong Guoyitang Pharmaceutical Chain Co., Ltd (山東國一堂大藥房連鎖有限公司), Hangzhou Zhiyun Qikang Biomedical Co., Ltd (杭州智雲齊康生物醫藥有限責任公司), Zhiyun Hongji (Shanghai) Medical Technology Co., Ltd (智雲虹際(上海)醫療科技有限公司), Shanghai Yitong Culture Media Co., Ltd (上海怡通文化傳媒有限公司), Shanghai Kangmeng Health Management Consultation Co., Ltd (上海康檬健康管理諮詢有限公司), Shanghai Kangyun Information Technology Service Co., Ltd (上海康芸信息技術服務有限公司), Shanghai Kailifeng Medical Consultation Co., Ltd (上海凱勵峰醫藥諮詢有限公司), Shanghai Kangjing Information Technology Service Co., Ltd (上海康淨信息技術服務有限公司), Shanghai Kangquan Information Technology Service Co., Ltd (上海康全信息技術服務有限公司), Shanghai Kangyangyou Management Consultation Co., Ltd (上海康養悠管理諮詢有限公司), Zhiyun Youxiang Labor Services Co., Ltd (智雲優享(天津)勞務服務有限公司) and Suzhou Kanglian Pharmaceutical Co., Ltd (蘇州康聯大藥房有限公司); and

   b. Non-wholly-owned subsidiaries: Jiangsu Xinwange Medical Technology Co., Ltd (江蘇新萬格醫療科技有限公司) (55% and 45% of which is held by Hangzhou Kangsheng and Zhu Qiuna (朱秋娜), an Independent Third Party, respectively, and holds the entire equity interest of Jiangsu Zhiyun Health Management Co., Ltd (江蘇智雲健康管理有限公司)), Zhejiang Qilian Medicine Co., Ltd (浙江啟聯醫藥有限公司) (55% and 45% of which was held by Hangzhou Kangsheng and Zhejiang Qilian Medical Investment Management Co., Ltd (浙江啓聯醫療投資管理有限公司), an Independent Third Party, respectively), Shanghai Kanghe Information Technology Service Co., Ltd (上海康合信息技術服務有限公司) (90% and 10% of which was held by Hangzhou Kangsheng and Liu Tingting (劉婷婷), an Independent Third Party, respectively and holds the entire equity interest of Shanghai Kangkang Information Technology Service Co., Ltd (上海康慷信息技術服務有限公司) and Shanghai Kangqin Information Technology Co., Ltd (上海康琴信息技術服務有限公司)), Chongqing Ruihongkang Biotechnology Co., Ltd (重慶睿弘康生物科技有限公司) (70%, 15% and 15% of which was held by Hangzhou Kangsheng, Wang Hui (王惠) and Yu Jin (余靜), each an Independent Third Party, respectively), Shanghai Borunao Information Technology Co., Ltd (上海渤潤澳信息科技有限公司) (51%, 24%, 18% and 7% of which was held by Hangzhou Kangsheng, Pan Wenhui (潘文輝), Yu Junlan (俞君蘭) and Xu Yan (徐豔), each an Independent Third Party, respectively and holds the entire equity interest of Chongqing Medical Public (重慶醫藥公信網大藥房連鎖有限公司), Chongqing Medical Public Creditability Medicine Wholesale Co., Ltd (重慶醫藥公信網藥品批發有限公司)), Beijing Tangjian Technology Co., Ltd 北京唐健科技有限公司 (60%, 20% and 20% of which was held by Hangzhou Kangsheng, Lan Feifei (蘭菲菲) and Xiong Dehui (熊德輝), each an Independent Third Party, respectively), Hainan Youyi Technology Co., Ltd (海南優醫科技有限公司) (of which was held as to 60%, 26% and 14% by Hangzhou Kangsheng, Li Lili (李麗麗) and Guangzhou Youyi Technology Co., Ltd (廣州優醫科技有限公司), each an Independent Third Party, respectively, and holds the entire equity interest of Hainan Zhiyun Distance Medical Center Co., Ltd (海南智雲遠程醫療中心有限公司) and Hainan Zhiyun Internet Hospital Co., Ltd (海南智雲互聯網醫院有限公司)) and Zhejiang Jijia Pharmaceutical Technology Co., Ltd. (浙江積佳醫藥科技有限公司) (51% and 49% of which is held by Hangzhou Kangsheng and Shao Xianxing (邵先行), an Independent Third Party).

5. The remaining equity interest of Shenzhen Yinxiaobao Technology Co., Ltd is held as to 13% and 2% by Mr. Yan Dechang and Ms. Li Weiwei, who are Independent Third Parties, respectively.

Corporate structure immediately following the [REDACTED]

The following diagram illustrates the simplified corporate and shareholding structure of our Group immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme):



Notes: See notes (1) to (5) on the previous page for details.

OVERVIEW

Who We Are

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. 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. 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.

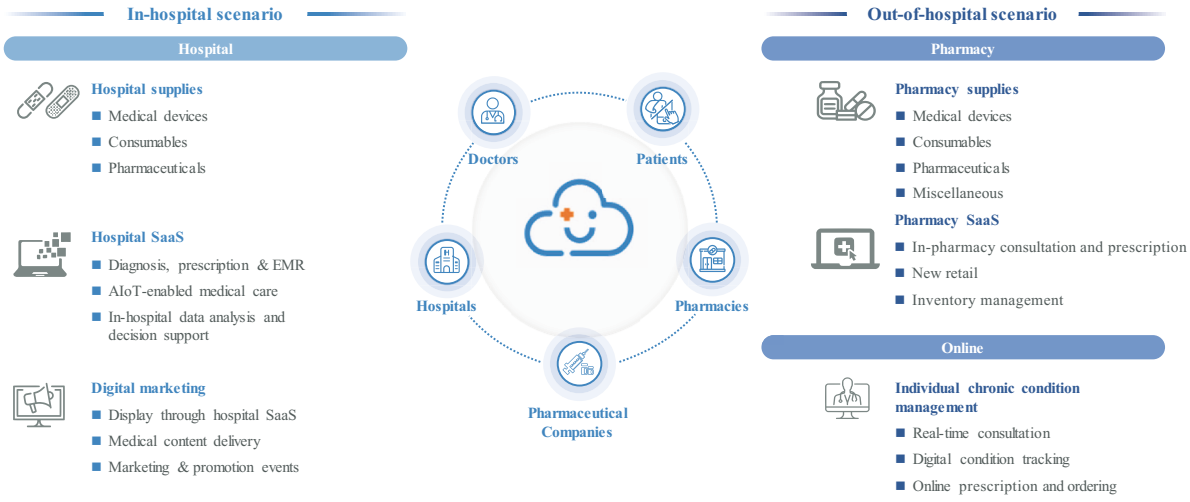
Our offerings include our in-hospital solution, our pharmacy solution, and our individual chronic condition management solution. Our in-hospital solution consists of sales of medical devices, consumables and pharmaceuticals, our hospital SaaS, and digital marketing services to pharmaceutical companies. 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 and is capable of connecting, through our proprietary AIoT devices, to some of the medical devices that we sell; 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 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.



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/periods 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.

In-hospital solution

Our in-hospital solution helps hospitals fulfill chronic condition patients' need for efficient and effective in-hospital management, through our hospital supplies of medical devices, consumables and pharmaceuticals, our hospital SaaS, and digital marketing services that we provide to pharmaceutical companies. Leveraging our distributors and 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. 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; it is capable of connecting to medical devices with the

help of our proprietary AIoT devices. 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 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 has allowed us to successfully build deep connections with hospitals, laying a solid foundation to extend our businesses to out-of-hospital settings. The more hospitals adopt our solution, the more doctors we will attract to our network, and in turn to provide more and better consultation and prescription services for our pharmacy customers and individual users. A larger hospital and doctor network also allows us to provide more effective digital marketing services to pharmaceutical companies.

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. We provide, directly or indirectly through our distributors, pharmacy supplies that primarily relate to chronic condition management. Leveraging our distributors and 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. As more pharmacies and pharmacists adopt our solutions, more doctors are willing to join our platform to provide in-pharmacy online consultation and prescription services, and in turn more patients and other individual users also shift to our platform through in-pharmacy online consultations and prescriptions.

Individual chronic condition management solution

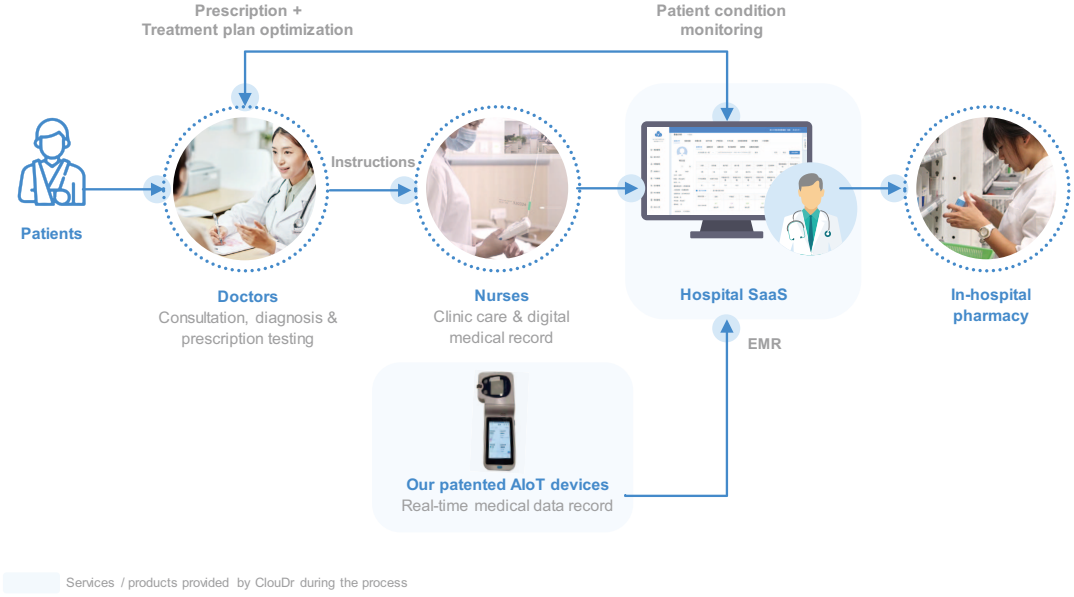
Our individual chronic condition management solution connects doctors and patients, mainly through our doctor and patient mobile apps, mini programs and Weixin public account, to enable out-of-hospital monitoring, consultation and prescription for chronic condition patients. We had over 87,000 registered doctors and approximately 23.8 million registered users as of December 31, 2021.

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. As more patients and individual users adopt our services, more pharmacies and doctors are willing to join our platform

Our Business

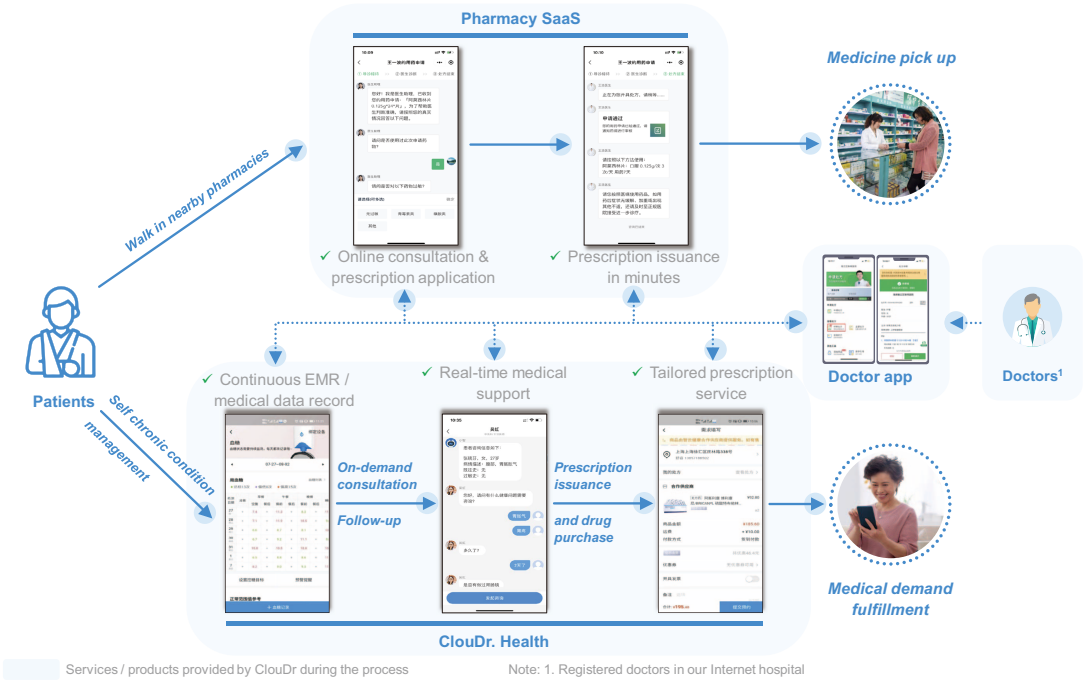
To address these challenges, we have developed a suite of solutions that cover the entire patient journey both in and out of hospitals. We endeavor to make chronic condition management more accessible, effective and efficient. Our revenue sources include product revenue and service revenue. We mainly generate revenues by sales of hospital and pharmacy supplies, and individual chronic condition management products. We also generate revenue by providing digital marketing, SaaS and other services.

In hospital



To address hospitals' needs in chronic condition management, we provide hospitals, through distributors or directly, with medical devices, consumables and pharmaceuticals related to chronic condition management, including medical devices and consumables that record patient conditions, such as glucose meters, glucose testing strips and vital sign monitors. *ClouDr. Yihui* supports hospitals by centralizing, streamlining and automating their chronic condition management workflow. It connects with a wide range of medical devices for chronic condition management through our proprietary AIoT devices and synchronizes with incumbent hospital information systems, or HIS. *ClouDr. Yihui* also facilitates the creation, management, analysis and synchronization of EMR and stores data on-premise. With *ClouDr. Yihui*, we have developed a suite of proprietary AIoT devices that connect to certain chronic condition management medical devices for which we act as distributors in China, among other connectable devices. When nurses use these AIoT-enabled medical devices for chronic condition management, our *ClouDr. Yihui* automatically monitors and tracks patient data, such as the patients' glucose levels, and sends alerts generated on a real-time basis to nurses and doctors. This medical AIoT integration function facilitates our sales of hospitals supplies, including these AIoT-enabled medical devices for chronic condition management, such as blood glucose meters and vital sign monitors, and their corresponding medical consumables, such as testing strips. In addition, *ClouDr. Yihui* improves hospitals' management efficiency by digitalizing supply and billing management and quality control of medical supplies for chronic condition management. Nurses can use *ClouDr. Yihui* for easier stock checking, and receive replenishment alerts for low stock. These supply and billing management functions, particularly the low-stock alerting function, serve as a reminder to hospitals to purchase our hospital supplies, which we believe facilitates our sales of hospital supplies. Leveraging our large network of hospitals and doctors, we also provide digital marketing services to pharmaceutical companies to raise awareness among hospitals and doctors primarily for chronic condition-related medicines. For our in-hospital solution, we primarily generated revenues from sales of hospital supplies during the Track Record Period.

Out of hospitals



Based on our deep understanding of chronic conditions and market needs, we identify and provide medical devices, consumables, pharmaceuticals and miscellaneous, primarily related to chronic condition management, to pharmacies. On the other hand, *ClouDr. Pharmacy* plays a critical role in our out-of-hospital medical services by empowering pharmacies with in-store, real-time consultation and prescription services for walk-in customers. Patients can initiate medical consultations with doctors in our network to receive and fulfill their prescriptions. On average, in 2021, a walk-in patient to a pharmacy with *ClouDr. Pharmacy* installed waited for less than 3 minutes to be allocated a doctor to consult with. For our pharmacy solution, we primarily generated revenues from sales of pharmacy supplies during the Track Record Period.

Our individual chronic condition management solution, *ClouDr. Health*, connects patients with doctors and enables out-of-hospital doctor-patient relationships. Patients can easily access medical services, including online consultation, prescription, medicine purchases, and other health management services such as self-monitoring of health conditions and e-record. Doctors can monitor patients' records and send medication reminders based on analysis of patients' health condition. Doctors also benefit from our knowledge library and expert lectures to keep updated with advanced medical information. For our individual chronic condition management solution, we primarily generated revenues from sales of chronic condition products during the Track Record Period.

We believe that as more hospitals install our SaaS, more doctors will register on our platform and refer patients onto our platform for long-term relationships, and more pharmaceutical companies will be incentivized to use our digital marketing services; as more doctors and patients use our mobile apps, more pharmacies will be incentivized to install our SaaS to benefit from our ample doctor resources and large user base, and more patients will access our platform through in-pharmacy consultations and prescriptions.

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 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.

Our Financials

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. 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. As a fast-growing company with a relatively limited operating history, our ability to forecast our future results of operations is limited and subject to uncertainties, including our ability to plan for and model future growth. Our revenue growth in recent periods may not be indicative of our future performance.

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**

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 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 COMPETITIVE STRENGTHS

Pioneer and Market Leader

Industry pioneer. We are a pioneer in digitalizing chronic condition management in China. Launched in 2016, *ClouDr. Yihui* is the first hospital SaaS to digitalize and standardize the chronic condition management process for hospitals in China, and we are the only industry player whose self-developed AIoT devices can connect to China's NMPA (National Medical Products Administration) certified medical devices used in hospitals according to the Frost & Sullivan Report.

Market leadership. We are China's largest digital chronic condition management solution provider 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, according to the Frost & Sullivan Report. Our SaaS products were installed in over 2,300 hospitals and 172,000 pharmacy stores as of December 31, 2021, respectively. We had over 87,000 registered doctors and approximately 23.8 million registered users on our platform as of December 31, 2021. In the year of 2021, approximately 153.4 million prescriptions were issued on our platform.

Scalable Business Model

Hospital-first strategy. 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. As of December 31, 2021, *ClouDr. Yihui* was installed in approximately 640 Class III public hospitals and approximately 1,036 Class II public hospitals, accounting for approximately 21.4% of Class III public hospitals and approximately 10.0% of Class II public hospitals in China,

respectively. As we deepen our collaboration with hospitals, our in-hospital solution becomes an integral and essential part of their daily routine, and it typically incurs high costs for hospitals to switch to other solutions.

From hospitals to other key stakeholders. With a vision to cover the entire patient journey both in and out of hospitals, we have extended our services to cover all major participants in the chronic condition management value chain. Leveraging our success in serving hospitals, we have expanded our solutions to pharmacies. As more hospitals and pharmacies adopt our solutions, more doctors and pharmacists shift to our services, and in turn more patients and other individual users also shift to our platform. We are able to then utilize our network to better offer pharmaceutical companies with more effective digital marketing services.

Efficient omni-channel user acquisition. We have a strong ability to acquire individual users from diverse channels. In the third quarter of 2021, approximately 1.2 million, or 95% of our newly registered users were derived from organic traffic, such as in-pharmacy online consultations and prescriptions, in-hospital referrals and patient referrals. 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.

Valuable Doctor-patient Relationships in and out of Hospitals

Valuable relationships. Individual users can register, get consultation and prescriptions, and complete medicine purchases all on our platform. Interactions generated on our individual chronic condition management solution are based on demand for medical services, allowing us to better understand these users and provide targeted services to doctors and their patients. Chronic condition patients require recurring consultation and prescriptions, leading to high patient lifetime value. As individual users deepen their trust in the doctors and services available on our platform, they become more confident in self-health management and more loyal to our platform. With these in-depth relationships, we are well positioned to expand into deeper industry participation and broader product offerings.

Expansion from in-hospital to out-of-hospital. Chronic condition management is a complex process, with long-term, regular follow-up visits and frequent interactions between patients and medical service providers including doctors, hospitals and pharmacies. Through our hospital network, doctors may refer their in-hospital chronic condition patients to our individual chronic condition management solution and continue their relationship, and we help foster these relationships in out-of-hospital scenarios.

Strong Product Capabilities

Technologies and medical know-how. Our technology capabilities allow us to deliver a standardized and convenient experience to key healthcare stakeholders, across in- and out-of-hospital settings. *ClouDr. Yihui*, is interoperable with most of the incumbent hospital information systems to streamline workflow. With modularized implementation, hospitals can customize the functionalities of *ClouDr. Yihui* according to their needs. We also maintain a vast and growing knowledge library, which is foundational to our online consultation and prescription services. With 2 million medical papers, over 110,000 clinical guidance articles, and various other sources of medical knowledge, such library helps match patient profiles with corresponding departments and doctors, and to ensure accuracy during the consultation and prescription process.

Proven effectiveness. We have developed technology-enabled solutions backed by well-established academic cooperation and proven clinical performance. According to a clinical study conducted by Shanghai Dongfang Hospital and published in *Journal of Diabetes Investigation*, patient treatment and management plans developed by us have demonstrated considerable improvement in various indicators, including days needed for same level of improvement, compared with products developed by a certain leading diabetes management company in the United States. This published research underpins the patients' and other stakeholders' confidence in and high reliance on our solutions. Starting in 2020, we have collaborated with the Chinese Center for Disease Control and Prevention to provide technological support in their establishment of a nationwide chronic condition big data pilot program that aims to standardize and develop the collection, storage, processing and application of chronic condition data; we help to enrich and improve the data platform of the National Chronic Disease Management Center.

Visionary Management Team

We have a visionary senior management team with in-depth and complementary experience in technology and healthcare sectors. With a mission to bring better chronic condition management experience to every family in China, Mr. Kuang founded our Group in 2014. Mr. Kuang has over 15 years of experience in healthcare and technology industries, giving him a special perspective in improving China's chronic condition management market. He has severed as a Senior Strategic Marketing Manager in APAC at Johnson & Johnson and various technical roles for APAC Business Development at Intel China. Mr. Kuang's unique background, overseas experience and deep know-how of the complex digital healthcare industry allowed him to quickly identify market opportunities, set the right company-wide strategy, and bring teams to the right path of execution. Our team reacts quickly to address industry pain points and develop technology-enabled solutions. Their wealth of experience in running critical functions within renowned multi-national companies and proven execution capability is highly valuable.

OUR GROWTH STRATEGIES

We intend to focus on the following key strategies to solidify our leadership position in China's chronic condition management market.

Continue to Expand Our Hospital and Pharmacy Network

We believe we have ample growth potential to provide more hospitals, pharmacies, doctors and nurses with our solutions. We will continue to pursue the "hospital-first" strategy and expand our hospital network nationwide. We also strive to drive the adoption of our offerings, including hospital SaaS, in more hospitals in China, particularly Class III and II hospitals, and continue to deepen our partnerships with them.

While we already collaborate with many of China's leading pharmacy chains, we plan to continue to expand the coverage of our pharmacy supplies and SaaS by adding new pharmacies, especially large-scale pharmacy chains, to our network. We also plan to continue to allocate substantial resources to the optimization of our existing products and the development of new products for hospitals and pharmacies such as the new retail business for pharmacies. We believe we will be able to further unlock the monetization potential in our collaboration with hospitals and pharmacies.

See "Future Plans and **[REDACTED]** — **[REDACTED]** — A. Business expansion" for the detailed implementation plan.

Continue to Grow Our Patient and Doctor Bases

Leveraging our vast network of hospitals and pharmacies, we are strategically positioned to attract individual users with medical needs to our platform at a relatively low cost. We will continue to grow our user base through targeted user acquisition, particularly online marketing channels, as well as enhancing brand awareness among perspective users. We also intend to continually leverage our relationships with hospitals to attract more doctors onto our platform. We plan to increase our user base and capture more monetization opportunities by offering more comprehensive services throughout the chronic management life cycle for different chronic conditions.

See "Future Plans and **[REDACTED]** — **[REDACTED]** — A. Business expansion" for the detailed implementation plan.

Continue to Invest in Product and Technology Innovation

We will continue to advance our medical know-how and technology capabilities to reinforce our leadership in the digital healthcare industry.

We will continually add new functions and features to our solutions through product and technology innovation. In particular, we believe AIoT devices and AI-assisted diagnosis and treatment algorithms are highly relevant to holistic digital healthcare solutions and will play a critical role in both in-hospital and out-of-hospital chronic condition management. We plan to conduct more clinical trials in collaboration with top-tier hospitals, medical institutions and universities to facilitate our R&D. We also plan to further develop our SaaS and related products to include more functionalities to better cater to hospitals and pharmacies' evolving needs and to improve user experience and user engagement. We will continually acquire more talents to facilitate our innovations in products and technologies.

See "Future Plans and **[REDACTED]** — **[REDACTED]** — B. Medical and technology capability advancement" for the detailed implementation plan.

Continue to Expand Our Presence in the Healthcare Value Chain and Drive Monetization

We plan to continue penetrating the upstream and downstream of the healthcare value chain. We strive to access all major participants across the healthcare value chain. We will expand our existing partnerships and establish new partnerships with upstream pharmaceutical companies to expand our selection of medical devices, consumables and pharmaceuticals to better satisfy hospitals and pharmacies' needs, as well as providing digital marketing services to them. We will also strengthen our downstream capabilities such as prescription fulfillment to offer complementary services to our end customers. This will further increase the stickiness of the key healthcare stakeholders to our solutions and diversify our monetization channels.

See "Future Plans and **[REDACTED]** — **[REDACTED]** — C. Strategic alliances and investments" for the detailed implementation plan.

Continue to Invest for Strategic Partnership and Acquisitions

We will selectively pursue strategic alliances, investments and acquisitions that we believe can extend our market leadership position and can synergize with our businesses such as internet hospital operators. We also intend to focus on alliances, investments and acquisitions that can attract new participants and broaden our product and service offerings such as pharmacy chains with established network.

See "Future Plans and **[REDACTED]** — **[REDACTED]** — C. Strategic alliances and investments" for the detailed implementation plan.

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 have adopted a "hospital-first" strategy to provide comprehensive chronic condition management experience to hospitals, pharmaceutical companies, doctors and patients through our in-hospital solution. For hospitals, our hospital SaaS has become an integral and essential part of some hospitals' daily routine, which is designed to digitalize chronic condition management to improve hospitals' operational efficiency and treatment effectiveness and to facilitate hospitals in creating and maintaining EMR for their chronic condition patients. In addition, we address hospitals' clinical needs by providing hospital supplies and inventory management functions. We also provide hospital with suitable supplies including medical devices, consumables and pharmaceuticals in relation to chronic condition treatment. For pharmaceutical companies, our digital marketing services help them to increase brand awareness, reduce marketing expenses and reach more doctors. For doctors and patients, doctors can effectively monitor, and patients can constantly keep records of, health data through our hospital SaaS.

To make quality healthcare services accessible at out-of-hospitals setting, we have launched our pharmacy solutions and individual solutions to enable in-pharmacy and at-home consultation and prescription. Leveraging our understanding of the healthcare industry in China and our supply chain network, we provide pharmacy supplies to pharmacies. With pharmacy SaaS, a patient can conveniently purchase drugs and receive services they need at pharmacies. Our pharmacy solution also provides additional channels for pharmacies to acquire customers. Under our individual chronic condition management solution, we provide patients with professional care for chronic conditions and other health management services and online consultation and prescription services at any time and from anywhere. In addition, our solution enables doctors and patients to communicate remotely and help them maintain long-term doctor-patient relationships. Doctors can also generate additional income for their work on our platform.

As more hospitals and pharmacies adopt our solutions, more doctors and pharmacists shift to our services, and in turn more patients and other individual users also shift to our platform. We are able to then utilize our network to better offer pharmaceutical companies with more effective digital marketing services. As a result, our in-hospital solution, pharmacy solution and individual

chronic condition management solution generate synergistic value for our business as they allow us to serve key industry stakeholders, including hospitals, doctors, patients, pharmacies and pharmaceutical companies, penetrate, and access the entire patient journey of chronic condition patients. See "— Synergies among our Business Lines" for details.

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.* We offer a wide selection of chronic condition-related medical devices, consumables and pharmaceuticals to hospitals. With our solutions, doctors and nurses can easily manage the inventory of hospital supplies.

- *Digitalized and standardized treatment process.* Our Hospital SaaS, *ClouDr. Yihui* helps hospitals create and manage EMR, empowers hospitals, doctors and nurses to track and treat their patients more efficiently, reducing medical errors.

- *Additional services through digital marketing.* Through our digital marketing services, hospitals are able to conveniently identify and procure suitable and relevant drugs related to chronic condition management. Hospital can also participate in the academic events sponsored by us and can keep up with the industry trend delivered by our business development team.

- *Improved hospital classification.* The Chinese government encourages hospitals to integrate EMR into hospitals' information systems and awards extra points for hospitals installed with our hospital SaaS solution under the hospital classification system. Government support further incentivizes hospitals to adopt our SaaS solution to pursue a higher-tier class.

Value Propositions to Pharmacies

- *Expanded supply offerings for chronic conditions management.* Leveraging our supply chain network in chronic condition management, we offer comprehensive medical devices, consumables, pharmaceuticals and miscellaneous to pharmacies based on their needs.

- *In-store, real-time consultation and prescription services for walk-in customers.* A patient walking into a pharmacy with our pharmacy SaaS installed can consult doctors and apply for prescriptions on his or her mobile phone or in-store smart devices through our pharmacy SaaS.

- *Broadened customer acquisition channels*. *ClouDr. Pharmacy* provides additional channels for pharmacies to acquire customers by offering them the ability to enable in-pharmacy prescription fulfillment, and optimize their inventories and services.

Value Proposition to Pharmaceutical Companies

- *Effective marketing services.* Our digital marketing services effectively increase brand awareness and reduce marketing expenses for pharmaceutical companies through our large network of hospitals and doctors.

- *Expanded doctor reach.* Leveraging our extensive hospital and doctor network, we help pharmaceutical companies reach more doctors in and out of hospitals with their products and support doctors' clinical decisions.

Value Propositions to Patients and Other Individual users

- *Efficient and comprehensive online consultation and prescription fulfilling*. Through our products for patients, doctors and pharmacies, we have built a platform where patients can conveniently seek online consultation and prescription services and purchase the medical products they need.

- *24/7 mobile-based chronic condition management*. Our comprehensive "anytime, anywhere" healthcare management platform, powered by AI and analytic capabilities, offer 24/7 monitoring and care for our individual users and provide knowledge and tools for self-management.

Value Propositions to Doctors

- *Expansion of patient relationship out of hospitals*. A doctor can refer his or her patients to join *ClouDr. Health* after the patients' hospital visits, which allows the doctor to communicate with them remotely and helps maintain long-term doctor-patient relationships.

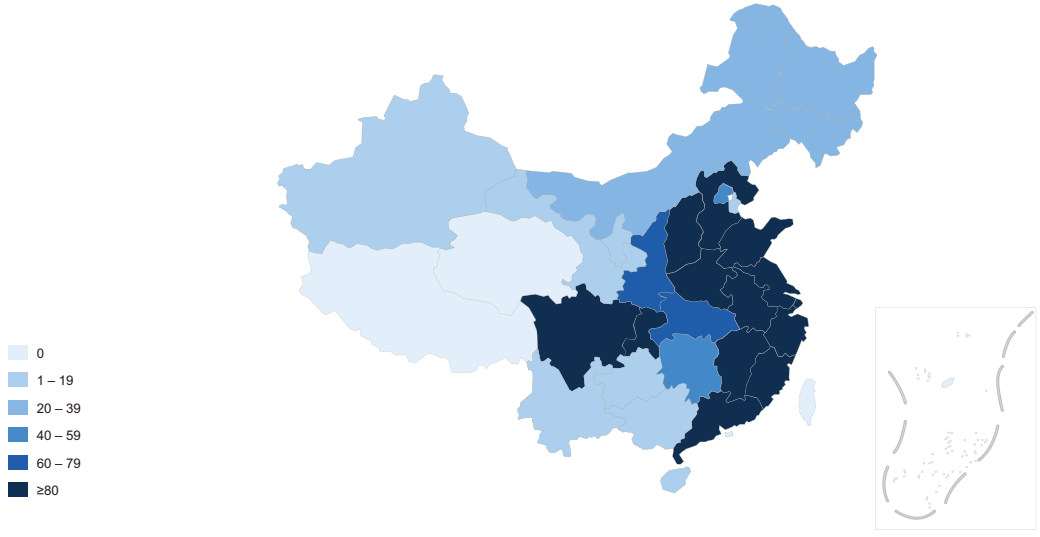
- *Opportunities for multi-site practice*. *ClouDr. Doctor* offers multi-site practicing opportunities that can generate additional income for doctors from their work on our platform.

OUR BUSINESS MODELS

We operate a digital chronic condition management business for all major participants in chronic condition management, offering comprehensive products and solutions to hospitals, medical professionals, pharmacies, pharmaceutical companies and individual users. Our main business consists of our in-hospital solution, our pharmacy solution and our individual chronic condition management solution for individual users. 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. We also generate revenue by providing digital marketing, SaaS and other services.

IN-HOSPITAL SOLUTION

Our in-hospital solution mainly consists of our hospital supplies, which is the main revenue contributor of our in-hospital solution, hospital SaaS, and digital marketing services for pharmaceutical companies. As of December 31, 2021, more than 2,300 hospitals had installed our hospital SaaS. The following map illustrates the geographic coverage of hospitals that installed our hospital SaaS as of December 31, 2021.



The following is a breakdown of our revenues from the in-hospital solution by 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						
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
Total	**177,216**	**33.8**	**422,175**	**50.3**	**1,272,738**	**72.4**

The "AIM" model

We grow our in-hospital solution business through our "Access, Install, Monetize" model, or the AIM model. This three-prong model illustrates our concurrent efforts 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) seek to install our hospital SaaS to increase stickiness of hospitals, and (iii) seek monetization opportunities primarily through hospital supplies and digital marketing services, and to a lesser extent, through hospital SaaS. Taking into consideration China's hospital industry environment, we have strategically chosen hospital supplies and digital marketing services as our major revenue streams of our in-hospital solution. Our hospital SaaS capabilities not only provide us with a highly attractive competitive edge to initiate access with hospitals, but these capabilities also help build sticky relationships with those hospitals that directly or indirectly purchased hospital supplies from us. 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. In addition, the installation of our hospital SaaS is a critical step for us to conduct precise digital marketing services. We expect hospital supplies and digital marketing services to continue to be major revenue sources of our in-hospital solution. Our concurrent efforts to "access, install and monetize" jointly allow us to develop close collaborative relationship with hospitals, which deepens our understanding of the industry.

Access

We primarily leverage our hospital SaaS capabilities to access and initiate business relationships with a large number of hospitals in China, with the intention of having these hospitals use our in-hospital solution. In particular, our business development teams typically present our proprietary hospital SaaS as the starting point of our engagement with hospitals.

Leveraging our understanding and expertise in chronic condition management, we mainly rely on our in-house and outsourced business development teams, many of whom have medical backgrounds, to establish and maintain these relationships. Our business development teams approach target hospitals by presenting our SaaS capabilities as a differentiator and then introduce our in-hospital solution to them. We expect that our proprietary hospital SaaS will continue to be our competitive edge and a differentiator that will continue to help us to expand our hospital end-customer base by efficiently and effectively addressing the pain points hospitals face in chronic condition management. During this process, our business development teams can assess the intention and IT environment of the hospitals, and establish business relationships with them as they work to have the hospital adopt part or all of our in-hospital solution.

After establishing initial business relationship with hospitals, as an important and on-going component of our efforts to access hospitals, we seek to deepen our relationship with hospitals through constant engagement. During this process of constant engagement, we concurrently seek to install hospital SaaS and explore monetization opportunities. As a result of this approach, although we may have in some instances monetized our in-hospital solution through hospital supplies when the relevant hospitals had not engaged us to install SaaS, we typically continue to engage in discussions with these hospitals to install our hospital SaaS, because we believe our hospital SaaS improves our hospital retention, facilitate purchases of hospital supplies and promote our digital marketing services. All of these approaches, in turn, contribute to more stable and broader monetarization avenues.

Install

The installation of our hospital SaaS helps us build sticky relationships with hospitals. As some of the medical devices that we provide can connect to our hospital SaaS through our proprietary AIoT devices, and the medical devices that we sell are usually functionally similar to medical devices of the same categories that the hospitals need, we believe that installing our hospital SaaS encourages hospitals to purchase medical devices and consumables from us. See "═ Hospital SaaS" for details on how the functions our hospital SaaS facilitates sales of hospital supplies. Furthermore, we believe that our hospital SaaS capabilities is part of the reason some of our suppliers choose us as the exclusive distributor for products that are related to chronic

condition management as our SaaS capabilities are likely to encourage hospitals to purchase those products from us. In addition, we utilize our hospital SaaS to conduct precise digital marketing services in a variety of innovative ways.

We actively engage with hospitals to install our hospital SaaS. Before installing our hospital SaaS in a hospital, our business development teams and technicians conduct interviews with multiple chronic condition management departments of the hospital, as well as its IT department, to understand the hospital's needs and workflows. We communicate with the management team of the hospital to demonstrate our hospital SaaS and determine the most suitable installation process for the hospital. During this process, we assist hospitals to test and adjust their internet settings to make them compatible with our hospital SaaS. We also assist hospitals in completing their internal approval procedures for installing our hospital SaaS.

Monetize

We actively seek monetization opportunities to monetize the relationships we have with hospitals that we have access to using our in-hospital solution. As we establish relationships with hospitals, depending on the circumstances and our assessment of the hospitals' digital environment, we may choose to prioritize hospital supplies, promote our hospital SaaS, or leverage this relationship to provide digital marketing services for pharmaceutical companies.

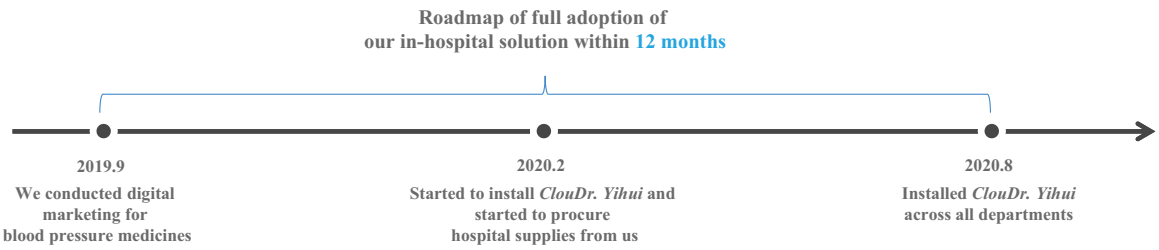
According to the Frost & Sullivan Report, it is usually difficult for Chinese public hospitals to approve significant budgets for software products given their public and welfare nature. Because of this limitation, in accordance with industry norm, we have often offered our hospital SaaS for free or at discounted prices. As a result, we do not view the installation of hospital SaaS as a direct major source of our revenues, but rather a strategic advantage to build sticky relationship with hospitals, understand their needs and contribute to the revenue growth of hospital supplies and digital marketing services.

As a testament to the critical role that our hospital SaaS plays under the "AIM" model, based on our internal records, among the 1,016, 1,431 and 2,101 hospitals that directly or indirectly purchased hospital supplies from us in 2019, 2020 and 2021, respectively, 920, 1,370, 2,065 of these hospitals had discussed with us to explore opportunities to install our hospital SaaS before or during the year when they purchased our hospital supplies, representing 91%, 96% and 98% of the total hospitals that directly or indirectly purchased hospital supplies from us in these same respective years. Among these hospitals, 283, 794, and 1,003 hospitals had installed or engaged us to install our hospital SaaS before or during the year when they purchased our hospital supplies, representing 28%, 55% and 48% of the total hospitals that directly or indirectly purchased hospital supplies from us, in 2019, 2020 and 2021, respectively.

We believe the installation of our hospital SaaS helps us to establish relatively stable revenue sources and expand monetization opportunities through sales of hospital supplies. In particular, the installation of our hospital SaaS significantly improves our retention rate of hospitals that directly or indirectly purchased hospital supplies from us. Based on our internal records for 2019, 2020 and 2021, the retention rate of our hospital SaaS-using hospitals that directly or indirectly purchased hospital supplies from us was 100% and 94% in 2020 and 2021, respectively, while this rate for our non-hospital SaaS-using hospitals was 73% and 64% in these respective years. In addition, during the Track Record Period, based on our internal sales records and good faith estimates, we believe that, among the hospitals that directly or indirectly purchased hospital supplies from us, those that use our hospital SaaS demonstrated a significantly higher average revenue per hospital than those that do not.

In addition, the installation of our hospital SaaS is a critical step for us to conduct precise digital marketing services. Our digital marketing services are in part conducted through our hospital SaaS, as it enables us to promote the medicines of our pharmaceutical company customers in a variety of innovative ways, such as increasing exposure of medicines and promoting brand awareness through our hospital SaaS. The increase in hospital SaaS installations help drive revenue from digital marketing services, broaden our revenue sources, and improve our overall gross profit margin.

Sales of rights to our SaaS and other products to hospitals are primarily conducted through distributors, who are usually approved vendors of our hospital end customers, and the rest through direct sales to hospitals. See the sections headed "— Customers" and "— Distributors."



Case Study: Promoting the AIM model to Hospital A, a well-recognized Class III-A hospital.

In 2019, we initiated discussions with Hospital A, a well-recognized Class III-A hospital in Shanghai, and first commenced conducting digital marketing in Hospital A.

As our business relationship with Hospital A deepened, we learned that it was rolling out an initiative to conduct a hospital-wide upgrade of its blood glucose management with integrated software and hardware. Because of the integrated nature of our in-hospital solution, Hospital A decided to install our hospital SaaS, and upgrade from another glucose testing strips brand to the brand for which we were the exclusive distributor. In 2020, we started selling the glucose testing strip to Hospital A, and it installed our hospital SaaS. After we carried out our AIM model to Hospital A for 12 months, we had conducted all services under our in-hospital solution in Hospital A. Hospital A has installed our hospital SaaS in all its departments. We also provide hospital supplies to and conduct digital marketing services in Hospital A.

Hospital supplies

Through our close collaborative relationships with hospitals, we have gained deep knowledge of the different procurement needs of hospitals of different classes, sizes and locations. In particular, leveraging our "AIM" model, our hospital SaaS capabilities and installation enable us to develop close collaborative relationships with hospitals and to accumulate industry and product insights in chronic condition management. Through our partnerships with a large number of pharmaceutical and medical device companies, we have access to an extensive supply of high-quality medical devices, consumables and pharmaceuticals at competitive prices. In particular, some of our suppliers choose us as exclusive distributor for certain of their chronic condition management products in certain regions. By matching hospitals' needs with supplies available at our partner pharmaceutical companies and other upstream suppliers, we can, directly or through

our distributors, provide hospitals with an expansive offering of medical products as part of our in-hospital solution. Leveraging our years of operational experience, we have developed strong supply management capabilities and collaborative relationships with our chronic condition product suppliers.

We provide medical devices, consumables and pharmaceuticals to hospitals, primarily through distributors. Leveraging our expertise in chronic condition management, the products that we provide primarily include:

- *Medical devices and consumables*. We sell medical devices, such as blood glucose meters and vital sign monitors, all of which are able to connect to our hospital SaaS through our proprietary AIoT devices. We also sell consumables such as glucose testing strips, most of which are used in connection to medical devices or other tests related to chronic conditions to address the needs to continuously track the health condition of in-hospital patients.

- *Pharmaceuticals*. We provide hospitals with a variety of pharmaceuticals, including both OTC and prescriptions drugs, most of which related to chronic condition, but also other common medicines. 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 we do not intend to do so considering China's current "two-invoice system" regulations. See "— Risk Management and Internal Control — Two-invoice system and national centralized procurement using a VBP approach" for details.

Because of the long-tail nature of medical devices, consumables and pharmaceuticals, the supplies we sell to hospitals are at various different price points, and many SKUs that we sell contributed insignificant amount to our revenues. In 2019, 2020 and 2021, the number of SKU that generated sales of more than RMB500,000 reached 35, 42 and 119, respectively. These SKUs contributed approximately 94%, 96% and 90% of the total revenues generated from hospital supplies in the respective years. These SKUs mainly include glucose meters, testing strips, vital sign monitors and testing devices.

We are the exclusive distributor in some regions for some of the medical devices and consumables that we sell. We believe that suppliers of these products are willing to choose us as their exclusive distributors in part attributable to our hospital SaaS capabilities. The exclusive distribution agreements we enter into with these suppliers have various terms regarding aspects such as coverage area and compliance requirements, with terms typically of one to two years. These contracts comply with our internal practices and were entered into based on commercial negotiations. We are sometimes subject to certain minimum purchase and/or minimum sales

requirements. If we fail to meet the relevant minimum purchase and/or minimum sales requirements under these contracts, the suppliers have the right to change our exclusive distribution rights to non-exclusive distribution rights, or withdraw the exclusive distribution rights granted to us. During the Track Record Period, we did not fail to meet the relevant minimum purchase and/or minimum sales requirements under any of these contracts. Under these agreements, either party can terminate for cause. Approximately 18%, 43% and 30% of the revenues we generated from sales of hospital supplies were from contracts with these types of exclusivity provisions in 2019, 2020 and 2021, respectively.

In general, we are also more willing to collaborate with suppliers whose products are related to chronic condition management. We select our suppliers based on, among other things, qualification, reliability and volume. Before entering into any agreement, we perform background checks on suppliers and the products they provide, which include examining their business licenses and the relevant licenses and certificates for their products. We also take into consideration suppliers' brand recognition and make inquiries about the market acceptance of their products among players in the industry. Depending on the circumstances, we sometimes selectively conduct on-site visits to assess and verify their location, scale of business, production capacity, property and equipment, human resources, research and development capabilities, quality control system and fulfillment capability.

We provide medical devices, consumables and pharmaceuticals to hospital end customers through either direct sales or distributors. Approximately 86%, 92% and 89% of the revenues we generated from sales of hospital supplies were from sales to distributors in 2019, 2020 and 2021, respectively. Accordingly, approximately 14%, 8% and 11% of the revenues generated from sales of hospital supplies were from direct sales to hospitals in 2019, 2020 and 2021, respectively. See the section headed "— Distributors." Under our agreements with our distributors, we sell these items to them, and our distributors are authorized to sell products purchased from us directly to our hospital end customers. According to the relevant regulations, drugs and medical devices sold to our distributors may not be returned or replaced once sold for any reasons except for the reason of quality. As a result, we generally are not subject to return risks. See the section titled "Regulatory Overview — Regulations Relating to Drugs and Medical Devices — Pharmaceutical Operation." According to Frost & Sullivan, this practice is consistent with industry norms. These distributors are our customers in their transactions of buying these items from us. The pricing of the medical devices, consumables and pharmaceuticals that we sell are based on reference prices provided by our suppliers and commercial negotiation with our distributors and direct sales customers. In particular, for sales to our distributors, we may adjust the reference prices provided by the suppliers with reference to the market competition conditions and our business goals for product profit margins. For sales directly to hospitals, the prices are negotiated in bidding processes with the relevant hospitals. Our obligations are fulfilled once the title of the goods are transferred to these distributors or our direct sales customers. We generate revenue directly from

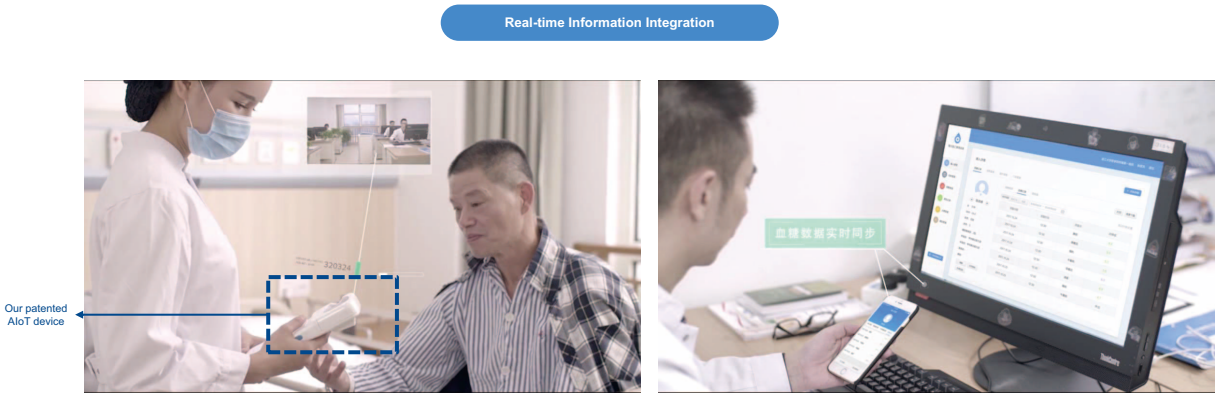
these sales and recognize revenues on a gross basis once the title of the goods are transferred. The number of public hospitals that directly or indirectly purchased hospital supplies from us amounted to 724, 1,194 and 1,535 in 2019, 2020 and 2021, respectively, representing 71.3%, 83.4% and 73.0% of the total number of the hospitals that directly or indirectly purchased hospital supplies from us during these respective periods. Accordingly, the number of non-public hospitals that directly or indirectly purchased hospital supplies from us amounted to 292, 237 and 566 in 2019, 2020 and 2021, respectively, representing 28.7%, 16.6% and 26.9% of the total number of the hospitals that directly or indirectly purchased hospital supplies from us during these respective periods.

We directly sell to our distributors or hospitals from our inventory. We manage our inventories and adjust inventory level based on fluctuation in supply, demand and prices, and, for some of our inventory, seasonality, product popularity and shelf life. We also utilize warehousing services from third parties for some of our inventory and for the remainder rent our own warehouses. We use third party fulfillment services to deliver goods to our customers, including distributors and hospitals. These third-party fulfillment service providers are Independent Third Parties, who deliver goods for us from our warehouses to our customers, and bear the risk of damage of the goods.

Hospital SaaS

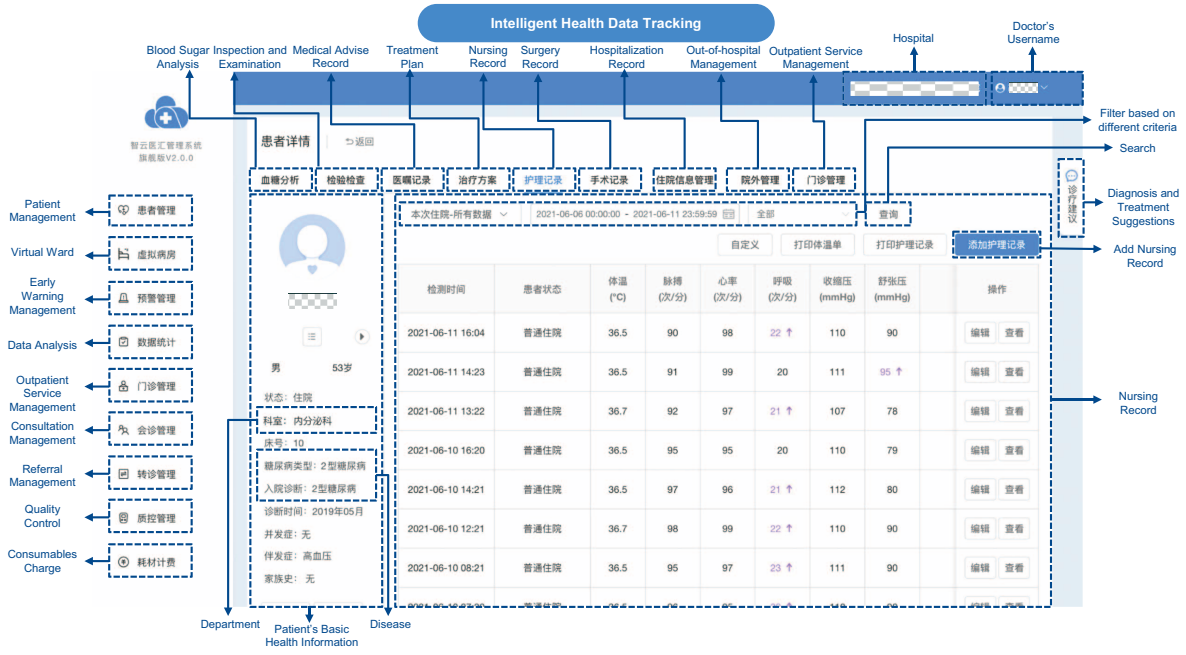
ClouDr. Yihui, our hospital SaaS is designed to digitalize chronic condition management to improve hospitals' operational efficiency and treatment effectiveness. It facilitates hospitals in creating and maintaining EMR for their chronic condition patients. It can connect to in-hospital medical AIoT equipment. Because *ClouDr. Yihui* acts as a "plug-in" or extension of existing HIS and laboratory information systems ("**LIS**"), it can work seamlessly with hospitals' current systems without the need of major revisions to hospitals' systems. As of December 31, 2021, *ClouDr. Yihui* was installed in more than 2,300 hospitals, including approximately 640 Class III public hospitals and approximately 1,036 Class II public hospitals, accounting for approximately 21.4% of the Class III public hospitals and approximately 10.0% of the Class II public hospitals in China, respectively.

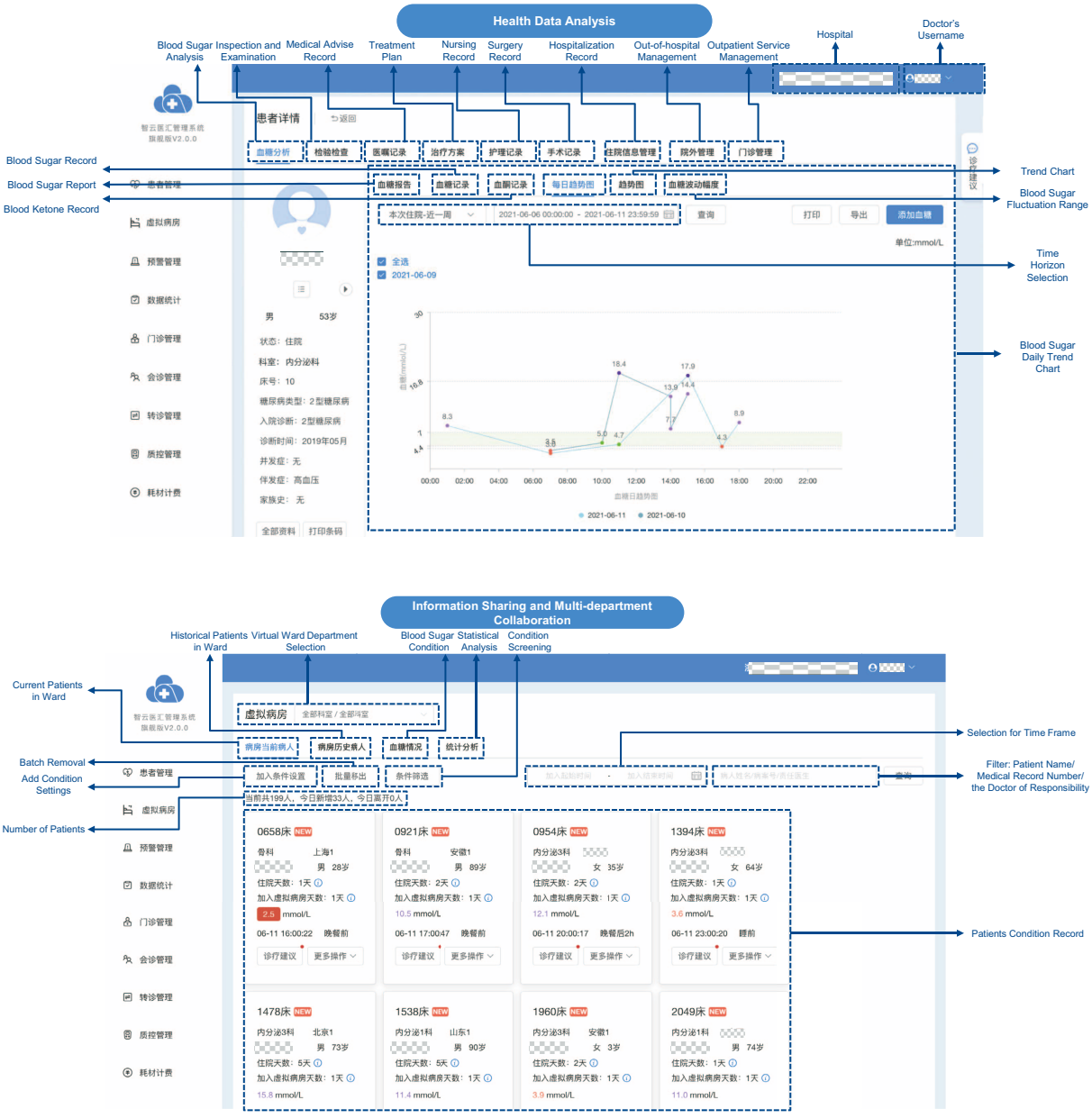
The following graphics are illustrations and screenshots of *ClouDr. Yihui*:



Medical staff checks patient's blood sugar level with our AIoT devices

Doctor reviews patient's statistics in real-time on *ClouDr. Yihui*





ClouDr. Yihui has the following key features:

Consultation and prescription: Doctors can use *ClouDr. Yihui* to input their consultation results and diagnosis of patients, order tests, prescribe drugs and instruct nurses to conduct follow-up tests, as *ClouDr. Yihui* can be integrated with HIS.

Automated health record input. *ClouDr. Yihui* connects the hospital's medical devices, such as blood glucose meters, with the HIS and LIS, and automatically collects and transmits outputs of the equipment to the hospital's database.

EMR establishment and intelligent health condition tracking. *ClouDr. Yihui* records tracks a patient's health conditions, test results and other medical history, and can automatically flag abnormalties. It also helps hospitals establish and manage their EMR.

Health analysis. *ClouDr. Yihui* can use the data saved locally in hospitals to analyze a patient's health conditions and medical results and present visualized results, assisting doctors in their diagnoses and treatment planning, with the help of our knowledge base of chronic conditions.

Medical AIoT integration. Within *ClouDr. Yihui*, we have developed a suite of proprietary AIoT devices that connects to most of the mainstream chronic condition medical devices and helps hospitals and doctors collect and standardize patient records in a confidential manner.

Supply and billing management. Doctors and nurses can access a comprehensive, digitalized record of their hospital's use and stock of specified consumables, such as blood glucose testing strips and blood drawing needles, helping them to efficiently manage medical supplies.

Multi-department and across-hospital collaboration. *ClouDr. Yihui* allows sharing, collaboration and inter-department patient transfers across a hospital's different departments to coordinate and develop treatment plans for a patient, through functions such as "Virtual Ward". The medical records of consenting patients can also be shared with other hospitals through the *ClouDr. Yihui* system to facilitate collaborative treatment among hospitals and transfers between hospitals.

We have generally adopted a subscription fee model for our hospital SaaS for an annual fee of RMB250,000 as a base package. We primarily sell rights to use our SaaS to our customers, who are usually distributors of our hospital end-customers, who then resell the rights to our hospital end customers. According to Frost & Sullivan, such practice is industry norm, as most hospitals only purchase software rights from vendors on their respective vendor lists. The number of our customers who are vendors on the hospital's vendor lists for our hospital SaaS amounted to 11, 22 and 19 in 2019, 2020 and 2021, respectively. We also sometimes sell rights to our hospital SaaS directly to certain hospitals. For sales to vendors on the hospitals' vendor lists, we typically charge an annual subscription fee of RMB250,000 as a base package. For sales directly to hospitals, the prices of our hospital SaaS are negotiated in the bidding processes with the relevant hospitals with reference to our base package offered to the vendors. Similar to the fee model of sales to vendors, we also typically charge an annual subscription fee of RMB250,000 as a base package for our sales directly to hospitals. Our pricing terms are in line with industry norms according to Frost & Sullivan. According to industry norms, we have often offered our hospital SaaS for free or at discounted prices, a practice we expect to continue in the near future, and we use revenue from our sales of hospital supplies as a way to compensate for discounted or waived subscription fees. See "— the "AIM" model." The number of public hospitals that installed our hospital SaaS

amounted to 359, 1,602 and 2,164 as of December 31, 2019, 2020 and 2021, respectively, representing 95.2%, 94.0% and 91.3% of the total number of the hospitals that installed our hospital SaaS as of these respective dates. Accordingly, the number of non-public hospitals that installed our hospital SaaS amounted to 18, 103 and 205 as of December 31, 2019, 2020 and 2021, representing 4.8%, 6.0% and 8.7% of the total number of the hospitals that installed our hospital SaaS as of these respective dates.

Please refer to "Industry Overview — Competitive Landscape" for details on the competitive landscape, strengths and differentiated features and functions of our hospital SaaS.

Case Study: Chronic condition management show-case of our hospital SaaS.

In 2019, Hospital B, a leading Class III-A hospital, adopted our in-hospital solution and installed our hospital SaaS solution *ClouDr. Yihui* in all of its departments. In particular, our *ClouDr. Yihui* facilitated doctors and nurses in monitoring its patients' conditions in real time and made medicine recommendations based on digital diagnosis. As our solution was fully integrated with Hospital B's incumbent HIS system, it also allowed information sharing across departments to better serve chronic condition patients as they often suffer from multiple conditions.

Our solution greatly improved doctors and nurses' efficiency and demonstrated effective medical treatment results for diabetic patients who adopted our solution, compared to the control group:

- Average hospitalization duration shortened 3.2 days
- Average blood sugar qualified rate increased 20%
- Average blood sugar decreased 3.3mmol/L (empty stomach) and 4.1mmol/L (after meal) after 3 days of hospitalization

Digital marketing services for pharmaceutical companies

Leveraging our strong network of hospitals and doctors, we provide precise digital marketing services to pharmaceutical companies. As of December 31, 2021, we had contracted with 15 pharmaceutical companies to provide digital marketing services for 22 SKUs of medicines. Based on the insights and expertise distilled from our interactions with hospitals, we have accumulated deep know-how of how to raise awareness of certain medicines among hospitals and doctors.

Our digital marketing services include an array of seamlessly integrated promotional methods, many of which are powered by our platforms. Our digital marketing service starts with market research and insight collection for the specific SKUs that we provide digital marketing services for, which gives us and our customers insights on the medicines and helps us better understand and develop marketing strategies for them. After collecting insights and analyzing the specific product, we then conduct our digital marketing services both online and offline.

Part of our digital marketing services is conducted through our solutions. Through our hospital SaaS, we are able to promote medicines of our pharmaceutical company customers forward in a variety of innovative ways. For example, we are able to increase exposure for certain medicines through our hospital SaaS by placing the specific medicines on the top of the list for doctors to choose from and prescribe. Through our doctor app, we can also display and promote brand awareness for our pharmaceutical customers, although we do not display advertisements for any specific medicines as mandated by relevant laws and regulations in China. We also recommend medicines to doctors on our doctor app when they issue prescriptions, based on our medical knowledge base. Leveraging our understanding of China's chronic condition market, we are able to accurately deliver customized content sponsored by pharmaceutical and medical device companies to specific groups of physicians cost-efficiently.

We also conduct promotion of medicines as part of our digital marketing services for pharmaceutical companies through our business development teams, consisting of our employees and flexible staff. Many of our business development team members have medical backgrounds and can provide the latest information on medicines and other medical products for chronic conditions and answer questions that doctors may have. This has earned us trust from hospitals that we have relationships with. Our hospital business development teams maintain close contact with hospitals. As part of our digital marketing services and in order to maintain close relationships with our hospital network, our business development teams regularly host online and offline academic events, industry conferences, forums and seminars, to deepen and strengthen our hospital and doctor network and raise awareness among doctors for our pharmaceutical company customers. Our business development teams organize online training on medical products for doctors and coordinates purchases of medical products, if requested.

We earn revenue from digital marketing services on a performance basis. We usually enter into exclusive contracts with pharmaceutical companies to conduct digital marketing services for them in a specific region for a specific SKU. We receive a portion of the revenues our pharmaceutical company clients generate from the specific SKU and region for which we provide them digital market services. Our agreements with pharmaceutical companies sometimes also have a tiered commission mechanism where we earn a higher percentage of revenue if their revenue increased by a certain threshold. We are not involved with the sales of pharmaceuticals for which we conduct digital marketing services.

We have achieved growth in our digital marketing service business, which has a relatively high gross profit margin, and has contributed to an increasing portion of our gross profit since we launched our digital marketing services in 2019. During the Track Record Period, our average

revenue per pharmaceutical company for our digital marketing services amounted to RMB7.1 million, RMB11.5 million and RMB26.9 million for 2019, 2020 and 2021, respectively. We plan to continue to develop this business by (i) expanding our base of contracted pharmaceutical companies to cooperate with more multinational and local pharmaceutical companies, (ii) expanding the types of SKUs and medicines we promote and exploring opportunities in new therapeutic areas, such as neurology, hepatology and cardiology, and (iii) exploring additional strategic collaboration opportunities by leveraging our existing business relationships with pharmaceutical companies.

Please refer to "Industry Overview — Competitive Landscape" for details on the competitive landscape, strengths and differentiated features and functions of our digital marketing services.

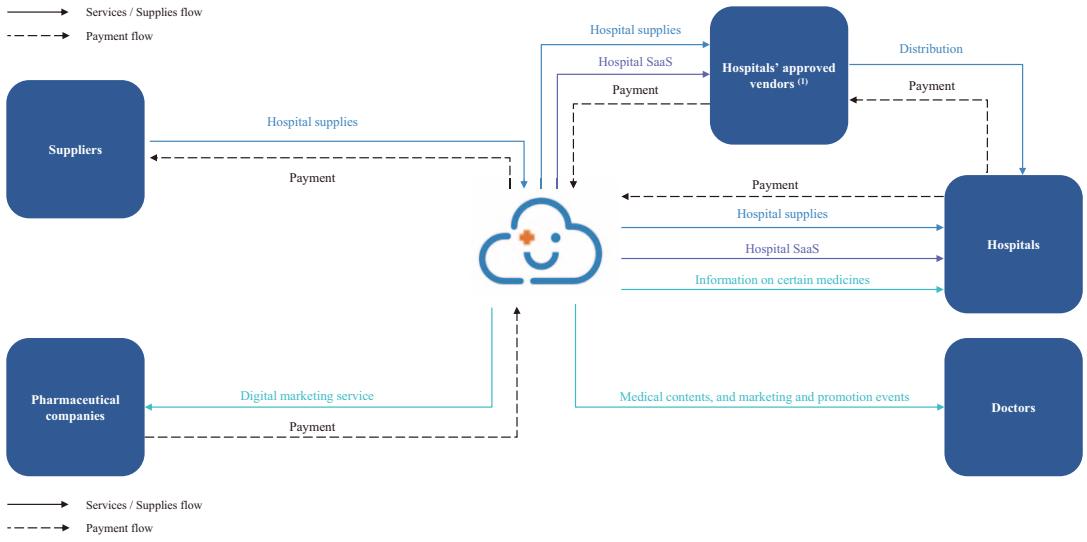
Case Study: Our digital marketing services effectively helped a pharmaceutical company target customers and improve its channel management.

In 2019, we started providing digital marketing services in Zhejiang Province to Company E, a top-three pharmaceutical company in China, according to the Frost & Sullivan Report. Leveraging our extensive hospital network, as well as our deep insights of patient needs, we facilitated Company E in penetrating into more hospitals, and facilitated its sales planning and channel management. Since we established this partnership, Company E has effectively expanded its business through our marketing services. In 2020, the quantity of an antihypertensive drug, a key product of Company E sold by the Company, has approximately doubled compared to 2019.

The COVID-19 pandemic has effectively driven the adoption of digital marketing services for pharmaceutical companies as traditional offline marketing channels were disrupted during the outbreak. According to Company E, as a result of the digital marketing services we provided, its sales growth in Zhejiang Province significantly outperformed that in other regions.

Our transaction and fund flows

The following chart demonstrates the product/services that we provide/receive from different stakeholders in our in-hospital solution business, as well as the fund flows.



Note:

1. Independent third parties of the Company

Our operating and financial performance

The following tables sets forth certain operating results of our 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 increased during the Track Record Period, growing significantly from 2019 to 2021, as we continuously expanded 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. As we expand our digital marketing services, the number of transacting pharmaceutical companies also grew significantly in 2020 and 2021. Our SaaS-paying hospitals decreased from 184 for the year ended December 31, 2020 to 118 for 2021. We experienced this decline because, under our "AIM" model, we do not view the installation of hospital SaaS as a direct contributor to our revenue, due to the difficulties Chinese public hospitals typically have in approving significant budgets for software products given their public and welfare nature. Instead, we drive our monetization through sales of hospital supplies and the provision of digital marketing services. As of December 31, 2021, we have successfully converted 29 out of 82 such hospitals that ceased paying for our hospital SaaS during 2021 to hospitals that directly or indirectly purchased hospital supplies from us, representing a conversion rate of approximately 35%, and we believe this conversion record illustrates our monetization strategies under our "AIM" model. As the bidding and procurement processes of public hospitals are conducted periodically according to their needs, we expect that we will convert more hospitals that ceased paying for our hospital SaaS to hospitals that directly or indirectly purchase hospital supplies from us as they conduct subsequent rounds of bidding and procurement processes.

The following table sets forth a breakdown of our revenue from in-hospital solution in both absolute amounts 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."

In 2021, 118 hospitals were paying users of our hospital SaaS, 55.4% of hospitals who were users of our hospital SaaS in 2020 remained users, and 1.1% of the non-paying users of our hospital SaaS in 2020 became paying users.

PHARMACY SOLUTION

Our pharmacy solution consists of pharmacy supplies, which is the main revenue contributor under pharmacy solution, and pharmacy SaaS.

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

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Revenues:						
Pharmacy solution						
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
Total	**326,887**	**62.3**	**345,607**	**41.2**	**349,967**	**19.9**

Pharmacy supplies

Leveraging our understanding of the healthcare industry in China, our relationships with pharmaceutical companies and our access to upstream suppliers, we provide medical devices, consumables, pharmaceuticals and miscellaneous to pharmacies. In general, we choose a distributor model for single-store pharmacies and distributors who are large wholesalers of pharmaceuticals, and use direct sales for large-scale chain pharmacies.

We in general offer more expansive SKUs to pharmacies as they have broader needs. For example, in addition to OTC and prescription drugs, we also provide supplements and health food products, as well as miscellaneous items that our pharmacy end customers carry in their stores, such as certain food and everyday items.

Because of the long-tail nature of medical devices, consumables and pharmaceuticals, the supplies we sell to pharmacies are at various different price points, and many SKUs that we sell contributed insignificant amount to our revenues. In 2019, 2020 and 2021, the number of SKU that generated sales of more than RMB1 million reached 36, 56 and 35, respectively. These SKU contributed approximately 92%, 89% and 90% of the total revenues generated from pharmacy supplies in the respective year.

We select our suppliers of our sales to pharmacies based on the same procedures and standards as we do for those of our sales to hospitals. We sell items to pharmacy end customers either through direct sales or distributors. We use distributors mainly in an effort to more efficiently reach the enormous large number of pharmacies in China. As we do not control the end customers of our distributors, our supplies may sometimes resell to entities that are not pharmacies. We seek to establish business relationships with and directly sell to large-scale pharmacy chains and other pharmacies, which we believe are ideal candidates for our pharmacy SaaS.

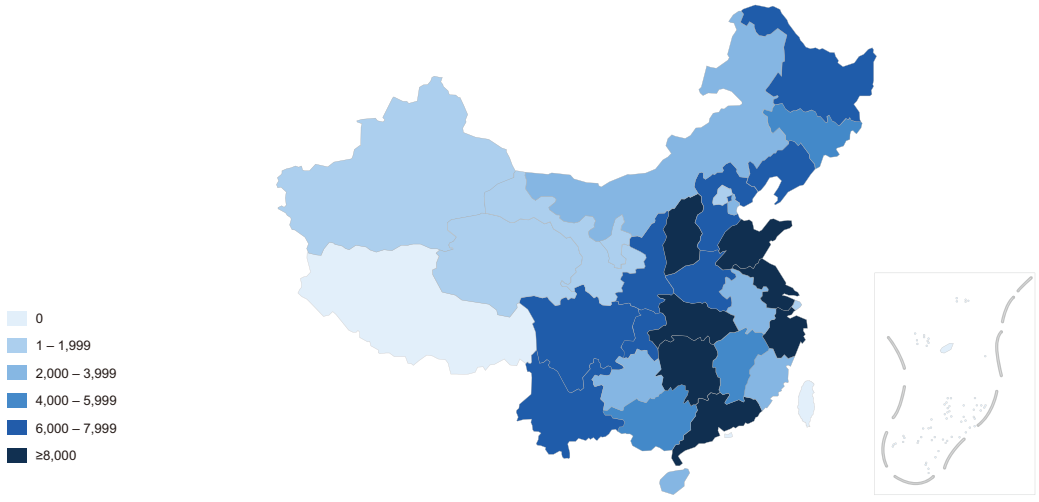
Under our agreements with our distributors, we sell goods to them, and our distributors then sell goods purchased from us to pharmacies. This arrangement is consistent with industry norms, according to the Frost & Sullivan Report. According to the relevant regulations, drugs and medical devices sold to our distributors may not be returned or replaced once sold for any reasons except for the reason of drug quality. As a result, we generally are not subject to return risks. See the section titled "Regulatory Overview — Regulations Relating to Drugs and Medical Devices — Pharmaceutical Operation." These distributors are our customers in their transactions in buying such items from us. The pricing of the goods we sell are based on reference prices provided by our suppliers and negotiations with our customers. Our obligations are fulfilled once the title of the goods is transferred to these distributors and our direct sales customers. We generate revenue directly from these sales and recognize revenues on a gross basis once the title of the goods are transferred.

Our distributors under sales of pharmacy supplies are usually wholesalers who sell to pharmacies. Our direct pharmacy customers for sales of pharmacy supplies are usually large chain pharmacies in China. In the fiscal year ended December 31, 2021, approximately 74.1% and 25.9% of revenues generated from pharmacy supplies were generated through distributors and directly sales, respectively. In some regions we are the exclusive distributor for our pharmacy solution products. Approximately 54%, 61% and 55% of the revenues generated from our sales of pharmacy supplies were from contracts with these types of exclusivity provisions in 2019, 2020 and 2021, respectively.

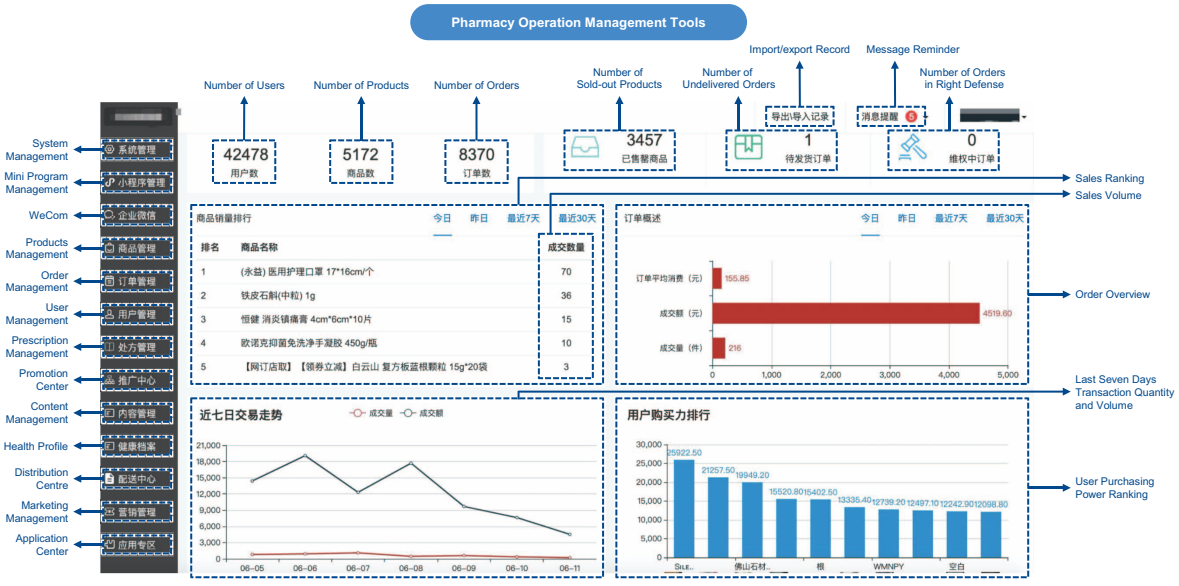
We directly sell from our inventory to our distributors or pharmacies. We manage our inventories and adjust inventory level based on fluctuation in supply and prices, and, for some of our inventory, seasonality, product popularity and shelf life. We also utilize warehousing services from third parties for some of our inventory and for the remainder rent our own warehouses. We use third party fulfillment services to deliver goods to our customers, including distributors and pharmacies.

Pharmacy SaaS

We started offering *ClouDr. Pharmacy*, our pharmacy SaaS, in the second half of 2019. We facilitates in-pharmacy prescription issuance for walk-in patients, and help pharmacies manage their inventories and set up online pharmacies through Weixin mini programs. As of December 31, 2021, 172,000 pharmacy stores had installed *ClouDr. Pharmacy*. The following map illustrates the geographic coverage of pharmacy stores that installed our pharmacy SaaS as of December 31, 2021.



The following screenshot show the interface of *ClouDr. Pharmacy*:



Main functions of *ClouDr. Pharmacy* include:

In-pharmacy consultation and prescription service. A patient walking into a pharmacy that uses *ClouDr. Pharmacy* can consult doctors and apply for prescriptions renewal by accessing our platform through our Weixin mini program or our patient app. The consultation and prescription process can be completed through text and photo-based or video-based sessions with doctors on our platform. After the prescription renewal, the pharmacist at the pharmacy or one available on our platform will further review the prescription through *ClouDr. Pharmacy*.

New retail. Pharmacies with our pharmacy SaaS can pay an extra fee to use our new retail service and have us set up an online pharmacy through Weixin mini programs. The online pharmacy is connected to the pharmacy's *ClouDr. Pharmacy*, which allows one-stop inventory, orders, customers and staff management. We also provide different forms of marketing tools that include live streaming and cash rewards.

Inventory management. According to the Frost & Sullivan Report, pharmacies primarily make their purchasing decisions based on historical experience, and their inventory turnover days are generally long due to a lack of detailed, precise planning and bulk purchase patterns. *ClouDr. Pharmacy* supports just-in-time procurement and inventory-on-demand, optimizing pharmacies' inventory management.

We generate revenue from subscription fees for pharmacies using *ClouDr. Pharmacy* on a per-outlet annual basis with annual fees ranging from approximately RMB1,000 to RMB17,000, depending on the services chosen. We currently offer some of our pharmacy SaaS customers a one-year free trial of our pharmacy SaaS, after which they will need to pay the standard subscription fee. We charge each pharmacy that uses our new retail service an extra subscription fee. We also charge pharmacies that use our new retail service commissions based on percentages of revenue generated from selling medicines.

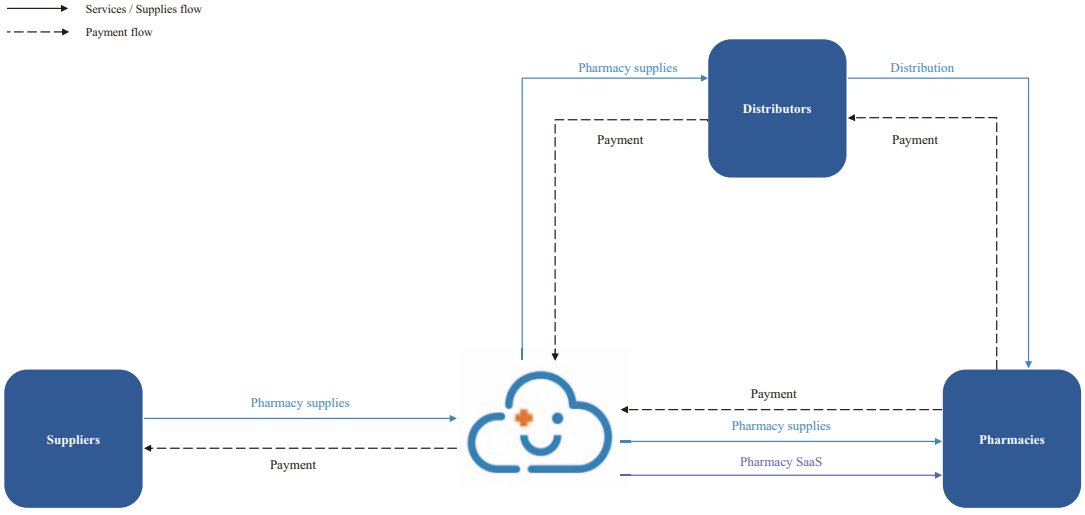
Please refer to "Industry Overview — Competitive Landscape" for details on the competitive landscape, strengths and differentiated features and functions of our pharmacy SaaS.

Case Study: Pharmacy Chain A uses our solution to increase efficiency and broaden customer acquisition channels.

In March 2021, Pharmacy Chain A, a regional pharmacy chain in Guangdong province with more than 30 outlets, installed our pharmacy SaaS in all of their outlets and established their online pharmacy with our new retail service. With the help of our prescription services, Pharmacy Chain A's prescription drug sales increased, as patients were able to obtain prescriptions and place orders in pharmacies more easily. With the help of our new retail service, within three months, Pharmacy Chain A generated over RMB1.7 million online revenue, which is comparable to the average annual revenue of an offline store of some other pharmacy chains generated in 2020.

Our transaction and fund flows

The following chart demonstrates the product/services that we provide/receive from different stakeholders in our pharmacy solution business, as well as the fund flows.



Our operating and financial performance

The following tables sets forth certain operating results of our 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	172,279
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 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.

The number of pharmacy stores that installed our pharmacy SaaS has increased since 2019, when we started offering such service, and grew significantly from 2019 to 2021 as we continuously 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.

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 vital sign monitors, 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."

As of December 31, 2021, 84,389 pharmacy stores were paying users of our pharmacy SaaS. In the 2021, 89.9% of pharmacy stores who were users of our pharmacy SaaS in 2020 remained users, and 18.9% of the non-paying users of our pharmacy SaaS in 2020 became paying users.

OUR INDIVIDUAL CHRONIC CONDITION MANAGEMENT SOLUTION FOR INDIVIDUAL USERS

ClouDr. Health is our individual chronic condition management platform on which users can receive instant, professional care for chronic conditions and other health management services at any time and from anywhere. As of December 31, 2021, *ClouDr. Health* had approximately 23.8 million registered users.

The following is a breakdown of our revenues from the individual chronic condition management solution and others by revenue sources, in both absolute amounts and as a percentage of our total revenues for the years presented:

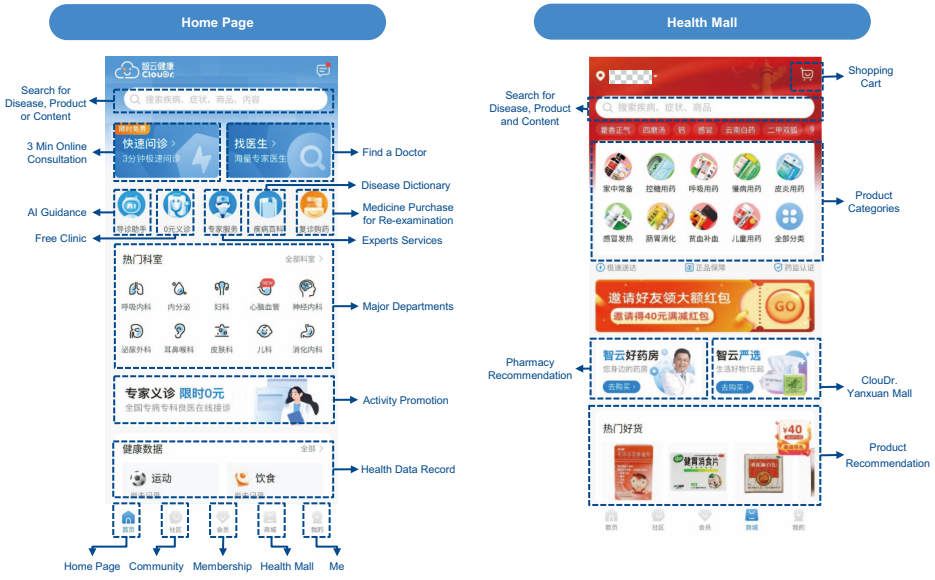
	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Revenues:						
Individual chronic condition management solution and others:						
Chronic condition products	15,704	3.0	34,846	4.2	53,031	3.0
Premium membership services	—	—	14,211	1.7	22,688	1.3
Others[(1)]	4,631	0.9	22,284	2.6	58,307	3.4
Total	**20,335**	**3.9**	**71,341**	**8.5**	**134,026**	**7.7**

Note:

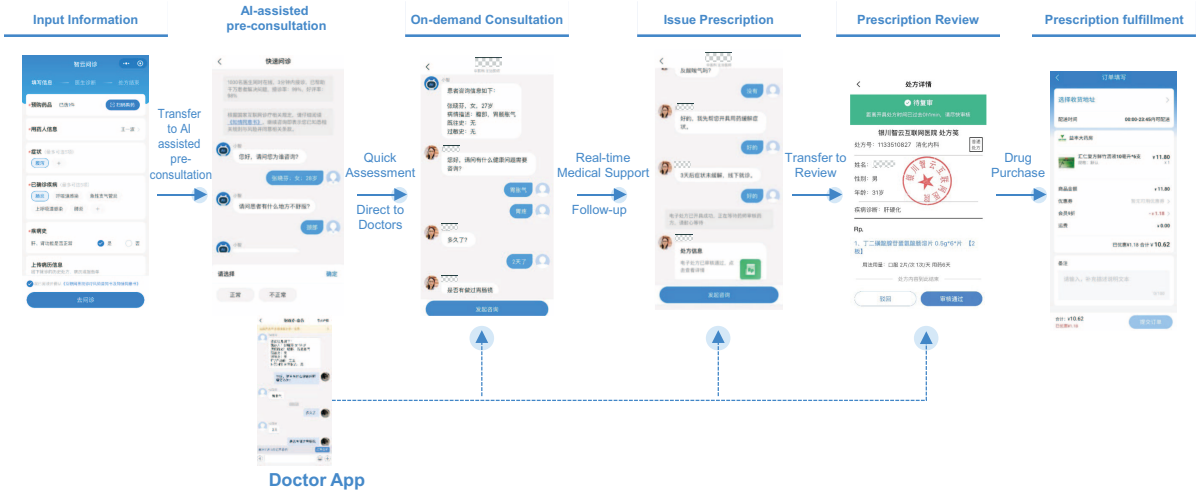
(1) Others include insurance brokerage services, advertisement agent services and others.

"Anytime, anywhere" health management

We have developed a mobile-first care system where users receive convenient and intelligent care for chronic conditions and other health management services. Our mobile system consists of our main mobile application, mini programs and a Weixin public account. The screenshots below illustrate the user interface of *ClouDr. Health*, our mobile application for individual users:



The following flowchart illustrates the process of a patient's journey of receiving consultation and prescriptions on *ClouDr. Health*:



ClouDr. Health provides the following services that are integral to patients' daily management of chronic conditions:

24/7 tracking and monitoring and personalized health management services. *ClouDr. Health* offers a smart-tracking function. Users can record their body measurements, conditions, symptoms, medication, diet, exercise and other types of health-related information on a daily basis. Medical AIoT devices that our users use at home, such as Bluetooth-enabled blood glucose and blood pressure meters, can automatically and immediately transmit test results to each user's individual records. *ClouDr. Health* monitors user's health condition and pushes an instant alert to users on his or her phone when there is an irregularity that suggests potential health risks or issues. In addition, we provide personalized health management services such as health evaluation and tailor-made "health tasks" for each user to complete to lower health risks.

Efficient, professional online consultations. A user on *ClouDr. Health* can access online consultation and prescription services provided by one of our registered doctors. Our online consultation and prescription services focus on chronic condition management, which requires long-term treatment, the re-filling of prescriptions and condition management. Each user seeking a consultation is asked a number of AI-generated questions, the answers to which provide an overview of the user's conditions and symptoms that allows the system to recommend the appropriate department and doctor. The consultations can be conducted via text and photo-based or video-based sessions. We started to charge users fees in 2021 for consultation services conducted by renowned doctors on our platform, who can set their own prices for their services, on a markup basis.

Online prescription and ordering services. A patient with a prescription from *ClouDr. Health* can easily submit a request for the prescribed drugs to Health Mall, 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. For orders that we refer to our pharmacy partners, we charge them commissions based on a percentage of the sales. Because we launched Health Mall in 2020, and we mainly generate revenues from Health Mall from commissions of sales rather than on a gross basis, revenue contribution of Health Mall has been immaterial during the Track Record Period. See "— Pharmacy Solution." We also operate some online and offline pharmacies, and we generate revenue from sales of pharmaceuticals and medical devices and supplies if users purchase them directly from us. The online pharmacies that we operate are under different brand names and can be accessed through the Health Mall. For our direct sales to users on our platform, we have put in place stringent rules governing the operations of suppliers to ensure that the products provided on our platform comply with applicable PRC laws and regulations.

Prior to 2020, our platform generally did not charge users for using our online consultation and prescriptions services. Starting from 2020, we began allowing renowned doctors to set prices for their consultation services. Patients were required to pay doctors for the services that they received, but none of these payments were recognized as our revenue. As a result, we did not generate any revenue from our online consultation and prescription services of our chronic condition management solution in 2020. Starting from 2021, we began charging our users a platform service fee in the form of a markup on the fees set by doctors on our platform.

According to the applicable PRC laws and regulations, an internet hospital should be supported by an offline medical institution, which can be either an offline medical institution that is under common control with that internet hospital, or a third-party offline medical institution through entering into cooperation agreements. See "Regulatory Overview — Regulations Relating to the Online Medical Services — Internet Medical Services" for details. In order to meet the license requirements for setting up internet hospitals for our internet-based consultation and prescription services, 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 conduct our online consultation and prescription services. We established the self-owned offline medical institution in Hainan in order to meet the license requirements for setting up the corresponding internet hospital. In particular, the cooperation agreement entered into between the Class II non-public hospital and us has a term of three years, which allows us to conduct its online consultation and prescription services for diabetes and other chronic conditions through our internet hospital supported by that Class II non-public hospital. According to the agreement, the Class II non-public hospital should support us to meet the relevant legal and policy requirements, and we should pay certain amount of annual fee to that Class II non-public hospital for such cooperation. The cooperation agreement entered into between the Class III public hospital and us has a term of five years, which allows us to provide treatment and diagnosis of chronic diseases, including diabetes and hypertension, through our internet hospital supported by that Class III public hospital. According to the agreement, we should provide support to that Class III public hospital in terms of chronic condition management solution, brand building and online cooperation, and that Class III public hospital should provide medical equipment and physician support to us. According to our agreement with the Class III public hospital, we should be responsible for the medical disputes arising from the treatment or diagnosis conducted by our internet hospital. Because we focus on providing online services to patients, our self-owned offline medical institution generally did not provide any services to patients during the Track Record Period, which is industry norm for this type of supporting offline medical institutions established by internet hospital operators, according to Frost & Sullivan. Our PRC Legal Advisor is of the view that such arrangement for our self-owned offline medical that was established to satisfy the licensing requirements of the internet hospital without providing any services to patients is in compliance with applicable PRC laws and regulations.

The clinical departments of our three internet hospitals are largely identical. As we focus on chronic condition management, all of our internet hospitals have clinical departments of internal medicine, surgery, obstetrics and gynecology, pediatrics, dermatology and traditional Chinese medicine. In addition, two of our internet hospitals have clinical departments of gynecology, otorhinolaryngology, and stomatology. The clinical departments of psychiatry, infectious diseases and traditional Chinese and Western medicine combination are established in one internet hospital. We provide the online consultation and prescription services on an integrated basis to patients. As such, as long as we operate one internet hospital with relevant clinical departments, we are able to provide services to patients in the relevant clinical departments across China through our online applications. If certain of our internet hospitals terminate their operations, we may be temporarily unable to provide services in certain clinical departments to patients if our other internet hospitals do not have such clinical departments. Such event may temporarily affect our online prescription and consultation services, lead to extra costs and also negatively affect our reputation.

We currently cooperate with a Class II non-public hospital and a Class III public hospital. Our internet hospitals separately entered into cooperation agreements with the two respective third-party offline medical institutions, which is a prerequisite requirement for obtaining the Medical Institution Practice Licenses for these internet hospitals. According to the cooperation agreements, the respective supporting offline medical institutions should support us to meet the relevant legal and policy requirements and cooperate with the respective internet hospitals to apply and obtain their licenses, and the respective internet hospitals should provide support to the respective offline medical institutions for chronic condition management by using internet and technology. In particular, the cooperation agreement entered into between the Class II non-public hospital and us has a term of three years, which allows us to conduct online consultation and prescription services for diabetes and other chronic conditions through our internet hospital supported by that Class II non-public hospital. According to the agreement, the Class II non-public hospital should support us to meet the relevant legal and policy requirements, and we should pay certain amount of annual fee to that Class II non-public hospital for such cooperation. The cooperation agreement entered into between the Class III public hospital and us has a term of five years, which allows us to provide treatment and diagnosis of chronic diseases, including diabetes and hypertension, through our internet hospital supported by that Class III public hospital. According to the agreement, we should provide support to that Class III public hospital in terms of chronic condition management solution, brand building and online cooperation, and that Class III public hospital should provide medical equipment and physician support to us. According to our agreement with the Class III public hospital, we should be responsible for the medical disputes arising from the treatment or diagnosis conducted by our internet hospital, if any. We intend to renew our cooperation agreements or find appropriate replacements to continuously support our internet hospitals before the expiration of the agreements. We independently operate our online consultation and prescription services. Accordingly, our internet hospitals and their respective supporting offline medical institutions shall undertake their own liabilities. And our internet

hospitals will not be subject to liabilities incurred by the third-party offline medical institutions, and vice versa. However, we may be subject to risks inherent in collaboration with third parties for our collaboration with third-party medical institutions. For example, if the cooperation with either or both of such third-party offline medical institutions is terminated, we may need to find replacements for cooperating offline medical institutions, which may take time, incur additional costs and may distract the management's attention. We cannot guarantee that we will successfully find an appropriate replacement in a timely manner, or at all. Such event may temporarily affect our online prescription and consultation services, lead to extra costs and also negatively affect our reputation. 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." Our PRC Legal Advisor has advised us that this approach is permitted under applicable PRC laws and regulations. According to Frost & Sullivan, this approach is in line with industry norm. During the Track Record Period, we provided the online consultation and prescription services through our online applications in different provinces across China, and this approach conforms with the relevant licensing requirements, as advised by our PRC Legal Advisor, Tian Yuan Law Firm. Our PRC Legal Advisor is of the view that our arrangements for the three offline medical institutions that supports our internet hospitals, including one self-owned and two third-party offline medical institutions, are in compliance with applicable PRC laws and regulations.

In addition to our collaboration with the two third-party offline medical institutions, we also entered into cooperation agreements with two medical institutions in Hainan. Under these agreements, each of these partners agrees to collaborate with us in the provision of services such as medical examination, medical imaging, transportation of patients for urgent care and sterilization services. The term of the cooperation under each agreement is three years initially and can be renewed upon expiry. We intend to renew our cooperation agreements or find appropriate replacements to continuously support our internet hospital before the expiration of the agreements. Under the 2020 Guidance, our self-owned offline medical institution in Hainan is required be equipped with certain functional rooms, including pharmacy, disposal room, laboratory, X-ray treatment room and sterilization provision room. Three functional rooms of our self-owned offline medical institution, namely laboratory, X-ray treatment room and sterilization provision room, are operated through aforementioned cooperation agreements, which is permitted under the 2020 Guidance. If either or both of these partners terminate their cooperation with us, we will need to find other qualified medical institutions as replacements to satisfy the licensing requirements under the 2020 Guidance for functional rooms. If we fail to find such qualified medical institutions and form collaboration relationships in a timely manner, or at all, we may not be able to pass the next applicable annual verification process, which may, in turn, affect the validity of the Medical Institution Practice License held by our self-owned offline medical institution in Hainan. 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" for details.

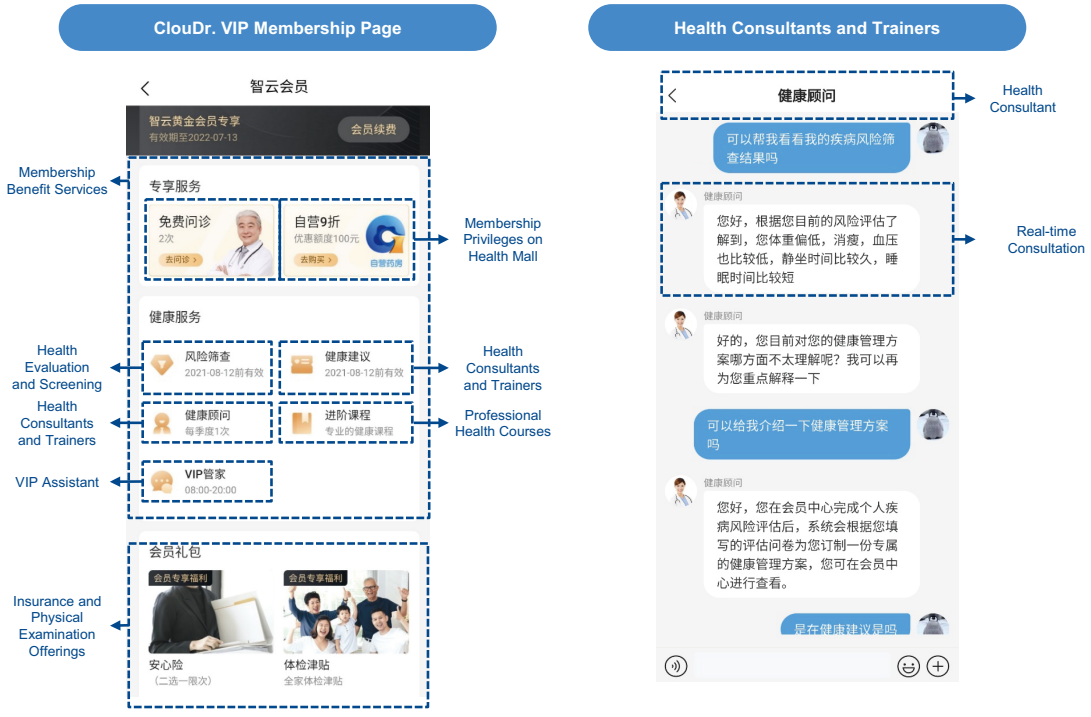
Our online consultation and prescription services focus on providing services to patients with chronic conditions who have already obtained their initial diagnoses and presciptions elsewhere and require prescription renewals. Our online hospitals do not provide initial or physical diagnoses to patients. Instead, we require patients to upload their previously issued prescription before obtaining consultation services that require prescription issuance from us. Chronic condition management requires long-term treatment, re-filling renewals of prescriptions and condition management. According to "Long-term Prescription Management Standard (Trial)" issued by the NHC and NHSA in 2021, generally no long-term prescriptions should be longer than 4 weeks and for patients with stable conditions the longest prescription period can be extended to 12 weeks. As such, each chronic condition patient that needs a long-term prescription would needs to obtain a prescription at least 4 times each year. We strive to provide patients with convenient, efficient and comprehensive online consultation and prescription fulfilling experience can address long-term medical needs of chronic disease patients.

In the view of our PRC Legal Advisor, Tian Yuan Law Firm, during the Track Record Period and up to the Latest Practicable Date, our self-owned offline medical institution was in compliance with the relevant license requirements, since it has duly obtained its Medical Institution Practice License as stipulated in relevant PRC laws and regulations. Under the current PRC laws and regulations at the national level, there are no specific license requirements in terms of the business scale, financial and operating performance or the total number of physicians for a physical hospital so that an internet hospital supported by such physical hospital can be set up. However, as for Hainai Province, where our self-owned offline medical institution is located, there are provincial guidance (i.e. the 2019 Guidance and the 2020 Guidance) that set forth the requirements in terms of remote consultation rooms, qualification of physicians and nurses, basic equipment and facilities, clinic departments, internal administrative rules, information safety and others for a physical hospital so that an internet hospital supported by such physical hospital can be set up. In addition, our internet-based consultation and prescription services were in compliance with applicable laws and regulations in all material aspects. Our internet-based consultation and prescription services were also in compliance with the relevant license requirements, considering that (i) each of our three internet hospitals is supported by an offline medical institution as required by the applicable PRC laws and regulations, (ii) each of our three internet hospitals has duly obtained its Medical Institution Practice License as stipulated in relevant PRC laws and regulations, and (iii) as of the Latest Practicable Date, we had not been subject to any penalties in relation to such license requirements of our internet hospitals.

We have taken steps to ensure continuous regulatory compliance with the license requirements for its offline medical institution, including Hainan's provincial guidance (i.e. the 2019 Guidance and the 2020 Guidance) for a physical hospital so that an internet hospital supported by such physical hospital can be set up. Our self-owned offline medical institution in Hainan was established before the issuance of the 2020 Guidance, and had obtained its Medical Institution Practice License in accordance with the then effective the 2019 Guidance. Our self-owned offline medical institution shall start to meet the requirements in the 2020 Guidance when conducting its first annual verification process since the issuance of the 2020 Guidance. The first annual verification since the issuance of the 2020 Guidance for our self-owned offline medical institution was originally supposed to be conducted in May 2021. Due to the COVID-19 restrictions, the 2021 annual verification process has been affected, and our self-owned offline medical institution has not conducted its 2021 annual verification process. We currently expect to go through the 2021 annual verification process for our self-owned offline medical institution in July 2022. To ensure the compliance with the 2019 Guidance and 2020 Guidance, we have evaluated the operating status of our self-owned medical institution by checking against each and every requirement under the 2019 Guidance and 2020 Guidance, including remote consultation rooms, qualification of physicians and nurses, basic equipment and facilities, clinic departments, internal administrative rules, information safety and others. As of the Latest Practicable Date, as the operation status of our self-owned medical institution was consistent with all the requirements under the 2019 Guidance and 2020 Guidance, our self-owned offline medical institution was in compliance with the 2019 Guidance and the 2020 Guidance. We will continue to closely monitor the application, enforcement and evolution of license requirements for offline medical institutions to mitigate its risks of future potential non-compliance. We periodically conduct self-evaluation in accordance with applicable PRC laws and regulations for our internet hospitals and self-owned offline medical institution. We periodically provide training to members of its management team to enhance their knowledge about the latest laws and regulations in the healthcare and pharmaceutical industry. If there are future regulations imposing additional license requirements for our offline medical institution, we will make adjustments as needed to ensure continuous regulatory compliance.

Value-added services for our premium members

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. The following screenshots of *ClouDr. Health*'s interface illustrates the additional services offered to our premium members:



These value-added services for our premium members include:

Health evaluation and screening. Our analytics and AI capabilities enable us to conduct a systematic analysis of a member's health condition, including the member's family history, health measurements and lifestyle, and provide a personalized evaluation to help the member better understand his or her health conditions. We also provide health screening services and comprehensive health management plans, including customized advice on monitoring, physical exercise and diet.

Health consultants and trainers. Our health consultants are qualified medical professionals with years of clinical experience, who offer professional and personalized advice on diet, exercise and other lifestyle choices, interpret health management plans and answer all kinds of

health-related questions for our members based on their health conditions. In addition, our embers have access to a wide selection of classes on health management, including training from personal trainers on healthy lifestyle, health monitoring and seminars given by leading experts in relevant fields.

Complimentary selected services and physical examination offerings. We offer a selection of complimentary consultation and prescription services to our members, as well as insurance planning and recommendation services. We also offer physical examination services through third-party providers and family physical examination allowances to our members.

Membership privileges on Health Mall. Our members have access to customized selections of product offerings on the Health Mall. In addition, when purchasing prescription or OTC drugs or medical devices from the Health Mall, our members enjoy special discounts and free delivery services.

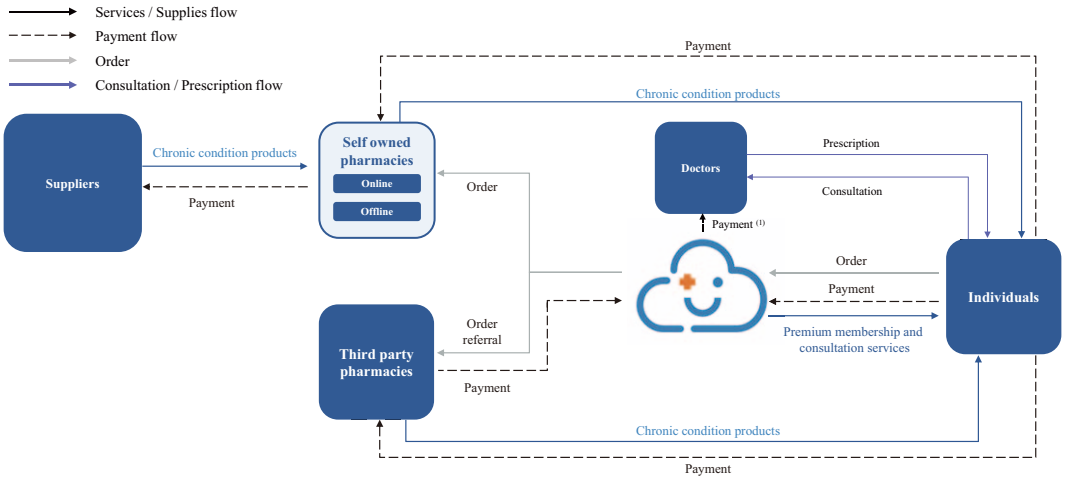
Before registration, users have to agree to our user agreement, which sets forth the type of services that we provide and certain representations that users give us, such as that they are using their true identities to register with our platform. Users are also shown a reminder that sets forth, among others, certain medical risks involved with chronic condition management.

Our other revenue channels include insurance brokerage and advertisement services. We sell healthcare packages from different insurance companies to corporate customers, and receive commission fess as a percentage of the sales from insurance companies; we also act as agents for certain advertising clients.

In 2020, we began adjusting our business model for product sales to individual end customers from a primarily "first-party relationship" (with third-party marketplaces as the retailer), which requires higher levels of inventories, to a primarily "third-party relationship" (with ourselves as the retailer), which requires relatively lower levels of inventories. We made this transition primarily to boost the variety of our product offerings and to lower our supply chain costs. See "Financial Information — Discussion of Certain Key Balance Sheet Items — Current Assets/liabilities — Inventories."

Our transaction and fund flows

The following chart demonstrates the product/services that we provide/receive from different stakeholders in our individual chronic condition management solution business, as well as the fund flows.



Our operating and financial performance

The following tables sets forth certain operating results of our 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.

The number of paying individual users increased by 821.6% from 39,692 in 2019 to 365,786 in 2020, and further to 660,535 in 2021, as we grew our individual user base, focused on expanding third-party online pharmaceutical sales and launched premium membership services in 2020. In particular, in 2020, we began strategically shifting our business model for product sales to

individual end customers primarily from a "first-party relationship" (in which third-party marketplaces are the retailer), which requires higher levels of inventories, to a "third-party relationship" (with ourselves as the retailer), which requires relatively lower levels of inventories.

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		2020	
	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.

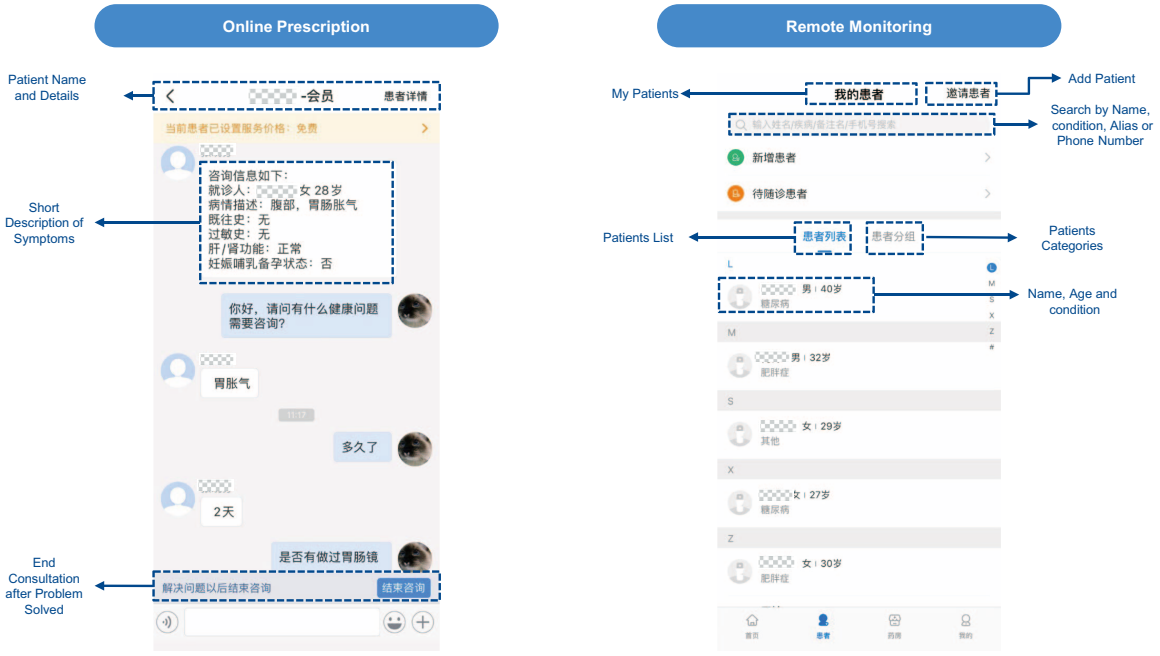
Our revenue from individual chronic condition management solution and others grew significantly from 2019 to 2021, primarily driven by our continued effort to expand our user base and enrich our product and service offerings and the growth of our insurance brokerage services.

During the Track Record Period, our average revenue per paying individual users under the individual chronic condition management solution and others, which is calculated as our revenues from chronic condition products and premium membership services divided by the total number of paying individual users for each year, amounted to RMB396, RMB134 and RMB115 for 2019, 2020 and 2021, respectively. In 2020, as we began strategically shifting our business model for product sales to individual end customers from a "first-party relationship" model (in which we book revenue as the amount of the product sales,) to a "third-party relationship" model (in which we book revenue based on the commissions charged on the product sales,) our overall average revenue per paying individual users under the individual chronic condition management solution and others declined. In 2021, as we began exploring more monetization models such as charging our users a platform service fee in the form of a markup on the fees set by doctors on our

platform, which has a lower average revenue per paying individual users, our overall average revenue per paying individual users under the individual chronic condition management solution and others declined.

OUR MOBILE APPLICATION FOR DOCTORS

ClouDr. Doctor, is our mobile app for doctors to access our platform. Below are screenshots of *ClouDr. Doctor*'s user interface:



ClouDr. Doctor has the following built-in features that facilitate out-of-hospital monitoring and doctor-patient communication:

Easy-to-use consultation, prescription and patient management. Doctors can refer their patients to our individual chronic condition management solution after these patients have concluded their hospital visits. Doctors can then engage with their patients via text and photo-based or video-based sessions, answering questions and providing medical advice. Doctors with multi-site registration can also issue prescriptions to these patients.

Monitoring and alerts. When certain conditions (such as a patient's blood sugar level) reach a pre-determined risk threshold, the patient's designated doctor will receive instant alerts and can intervene or reassess prescribed drugs promptly when necessary.

We do not charge doctors on our platform fees for using our platform, as we view them as important resources to attract a larger user base and deepen our relationships with participants in the healthcare industry. Doctors get paid for their consultation or prescription services on our doctor app either based on the number of hours that they are on-call, or, for renowned doctors, based on the fees they set for their services.

We host a large number of registered doctors on our platform to provide consultation services to our users. Doctors registered with us are required to comply with both our specified work scope and quality requirements as well as applicable rules and regulations. Doctors on our platform are required to provide evidence of their professional qualifications. In particular, doctors can only issue prescriptions on our platform if they have completed multi-site practice registration with local doctors' administration authorities and we have verified such registration. We also reserve the right to modify the relevant terms regarding doctors' scope of service, pricing, and how services are performed when necessary. As of the Latest Practicable Date, we had over 94,000 registered doctors on our platform. There were 8 doctors that worked for us on a full-time basis and were registered with our offline medical institution as their principal practicing sites. In addition, over 14,800 doctors worked for us on a part-time basis who had completed the multi-sites registration under our internet hospital that can issue prescriptions on our platform. The rest of our registered doctors had not completed the multi-sites registration and had not conducted diagnosis and treatment or issued any prescriptions as of the same date. These doctors can act as supporting doctors and provide online pre-consultation and pre-diagnosis services, such as online triage, and review and cross-check issued prescriptions as part of our risk control procedures. As of the Latest Practicable Date, we had paid a total of 1,738 such supporting doctors for their services on our platform.

To ensure our full-time doctors and part-time doctors who have completed multi-sites registration under our internet hospital to properly assess the relevant patients' medical conditions, we require the patients to upload their previously issued prescriptions and other initial and/or subsequent medical records before obtaining consultation services that require prescription issuance from us. Similar to offline hospitals, doctors on our platform request patients to answer questions about their medical conditions and submit their medical treatment, prescription and physical diagnosis records. If doctors on our platform, based on their professional judgements, believe certain previous medical records and/or physical diagnostic procedures are required, or further diagnosis and treatment or adjustment in drug dosage or prescriptions are necessary, they will ask the relevant patient to go to a competent offline hospital to receive necessary treatment and/or diagnosis according to our platform requirement and the doctors' professional duties to patients. According to Frost & Sullivan, our practices to access patients' medical records and to require additional offline treatment and/or diagnosis are in line with industry norm. However, similar to offline hospitals, we cannot assure that the medical records provided by patients are entirely authentic, accurate, complete and up-to-date, or at all, which may affect professional

judgement of our doctors. Although the medical claims against us and/or doctors on our platform due to the inauthentic, incomplete, inaccurate and/or not update-to-date medical records provided patents may not have merit, there may be negative publicity attached to such medical claims, which may materially and adversely affect our reputation and brand names. Our Directors confirm, during the Track Record Period and up to the Latest Practicable Date, there were no medical claim lawsuits filed by patients against us and/or the doctors on our platform based on incomplete, inaccurate and/or outdated medical records provided by patients. See "Risk Factors — We may become subject to product liability and medical liability claims, which could cause us to incur significant expenses and be liable for significant damages if not covered by insurance. We may also be subject to reputational harm because of these liability claims." In addition, as our internet hospitals cannot conduct physical diagnosis and in-person treatment due to the internet-based nature of our operations, our patients may need to go to offline hospitals periodically. Although we believe our online consultation and prescription services provide patients with convenient, efficient and comprehensive online consultation and prescription filling experience as an "anytime, anywhere" healthcare management platform and can address long-term medical needs of chronic condition patients, this inherent feature as an online medical service provider may materially and adversely affecting our reputation as an effective medical service provider, as a result, materially and adversely affecting our financial performance. See "Risk Factors — Maintaining industry participants' trust in our platform is critical to our success, and any failure to do so could severely damage our reputation and brand. Any damage to the reputation and recognition of our brand names, including negative publicity against us or our industry, or our directors, officers or employees, may materially and adversely affect our business operations and prospects."

We and our registered doctors enter into service agreements, pursuant to which our registered doctors provide users with online consultation services subject to relevant rules and regulations. Registered doctors represent and warrant to us, among others, that (i) they have provided true and accurate personal information to us; (ii) they have registered with relevant authorities and obtained all necessary licenses and certificates to practice through our platform; (iii) they only use user data obtained through their services within the scopes thereof and agreed to by the users; and (iv) they do not issue prescriptions based on new diagnosis but only diagnosis that has been issued offline and confirmed in online consultation. Under these agreements, we have the right to supervise and monitor doctors' work on our platform, and can unilaterally terminate the agreement if we deem the doctors not suitable for our platform with 15 days' notice.

SYNERGIES AMONG OUR BUSINESS LINES

Our in-hospital solution, pharmacy solution and individual chronic condition management solution generate synergistic value for our business as they allow us to serve key industry stakeholders including hospitals, doctors, patients, pharmacies and pharmaceutical companies, penetrate and access the entire patient journey of chronic condition patients.

Our in-hospital solution allows us to build strong connections and establish our brand awareness among hospitals. Although our hospital SaaS does not connect to our other two solutions in order to protect patients' in-hospital medical records, our presence in hospitals encourages more doctors to join our platform, and in turn to provide more and better consultation and prescription services for our pharmacy customers and individual users. The installation of our hospital SaaS encourages hospitals to purchase supplies from us. As of December 31, 2021, approximately 37% of the hospitals with our hospital SaaS installed had purchased supplies from us; this percentage reached approximately 65% in certain provinces and regions where we have allocated more sales forces and resources. As more hospitals and doctors uses our platform, they also have more opportunities to refer their patients to our platform.

Our pharmacy SaaS works in tandem with our individual chronic condition management solution. Patients can either go into a pharmacy, obtain prescriptions and place orders through our pharmacy SaaS, or do that through our patient app. As more pharmacies adopt our pharmacy SaaS, more patients and other individual users join our platform for in-pharmacy or online consultation and prescription, and more pharmacies and doctors are willing to join our platform. We had 23.8 million registered users on our platform as of December 31, 2021. In the third quarter of 2021, approximately 1.2 million, or over 95% of our newly registered users were derived from organic traffic, such as in-pharmacy online consultations and prescriptions, in-hospital referrals and patient referrals.

Our digital marketing business is growing rapidly. Given our extensive reach of hospitals, doctors and patients, we offer significant value proposition for pharmaceutical companies and help them market pharmaceutical products efficiently, especially through our hospital SaaS. The growth of our digital marketing business is, in turn, also driven by our hospital SaaS installation. The number of pharmaceutical companies that we provided digital marketing services increased from 5 in 2019 to 13 in 2020, and further increased to 15 as of December 31, 2021, and there had been no customer attrition for our digital marketing services as of December 31, 2021.

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, rather than seeking immediate financial returns or profitability, 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 become consolidated net asset position upon **[REDACTED]**, however, we may turn to 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 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."

China is the world's second largest healthcare market with sizable and steadily increasing healthcare expenditure, according to the Frost & Sullivan Report. China's chronic condition management market has a massive and under-served patient population and is one of the most important segments of the country's healthcare system. According to the Frost & Sullivan Report, healthcare expenditure for chronic conditions in China is expected to grow from RMB4.1 trillion, representing 56.7% of total healthcare expenditure in 2020, to RMB12.5 trillion, representing 75.0% of total healthcare expenditure in 2030.

Since our inception in 2014, we have continually expanded our hospital and pharmacy network, grown our patient and doctor bases, invested in product and technology innovation and expanded our presence across the chronic condition management value chain.

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 172,279 as of December 31, 2019 and 2020 and as of December 31, 2021, respectively, demonstrating the rapid penetration of our pharmacy SaaS.

- **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.

We were loss-making during the Track Record Period as we have been focused on investing in our research and development capabilities to drive the development of our hospital and pharmacy SaaS products, and in our selling and marketing efforts to grow our hospital and pharmacy network, promote user engagement, and enhance our brand recognition. As we increased revenue contribution from digital marketing services and pharmacy SaaS, we have reduced the adjusted net loss margin (non-IFRS measure) in 2021 as compared to 2020. See "Summary — Our Operating and Financial Performance."

During the Track Record Period, we experienced significant growth in revenue and gross profit. As we have started to benefit from the economies of scale as our business has grown, our loss from operations as a percentage of revenue decreased significantly from 99.7% in 2020 to 39.6% in 2021, and our adjusted net loss (non-IFRS measure) as a percentage of revenue decreased significantly from 75.8% in 2020 to 25.3% in 2021. 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 partnership with our existing hospital end customers allows us to showcase our value proposition and helps 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. 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 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. The increases in hospital SaaS installations 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 expert doctors, 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 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. 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

The Company believes that it possesses 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, the Company has recently completed a new round of financing, which put the Company in a strong cash position. As of December 31, 2021, we had cash and cash equivalents of RMB1.1 billion. The Company believes that the **[REDACTED]** will provide additional funding to its operation until it reaches 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."

OUR TECHNOLOGY

Through our solutions that connect all major participants in the chronic conditions industry, we have accumulated medical insights. Utilizing machine learning and other AI technologies, our platform aggregates and processes these insights to extract actionable insights that serve our varied customers in the industry.

Our Technology Infrastructure

We build our technology infrastructure to support our business in a cost-effective manner. We have built a reliable, smart network infrastructure to ensure high availability and a low risk of downtime. We currently utilize third-party cloud providers in China to host our network infrastructure, renting public servers and bandwidth.

We focus on maintaining and enhancing the reliability, stability and scalability of our technology infrastructure. Our technology infrastructure enables us to accommodate large amounts of user traffic during peak periods while maintaining speed and quality consistency, as well as powering operational visibility and control. We utilize microservices architecture to provide services capable of automatic scaling on applications and granular traffic control. We have also established a wide range of enhanced services control procedures, such as safety check, circuit-breaker, payload balance, and failover.

Our Analytics Technologies

Our proprietary AI-assisted consultation process has made consultation and prescription processes on our platform highly efficient and lowered the risks involved. The AI-assisted matching process intelligently assigns suitable doctors with patients seeking online consultation and prescriptions; this has greatly shortened the waiting time for patients on our platform. In 2021, approximately 99% of the patients on our platform received response within 180 seconds. Our AI-assisted consultation system also assesses each prescription as it is being issued by doctors, and can retract any unsuitable prescription, lowering the risks for doctors and pharmacies.

Our medical algorithm engine serves as the foundation for our four AI tools, "Xiaoyun," "Xiaozhi," "Lingtong" and "Zhixin." Xiaoyun is an online consultation assistance system for our doctor-facing app. It utilizes AI technologies to build prediction models that cover different medical scenarios and assists doctors with prescription safety monitoring. Xiaozhi is our smart pre-consultation system, which utilizes natural language processing, used in our patient-facing app and pharmacy solution. It can interact with patients and, based on our medical algorithm engine, match the best doctor and other medical resources to the patient, greatly shortening the time doctors need to spend on online consultation sessions.

Lingtong and Zhixin are our internal smart decision-making systems, which help coordinate the medical resources on our platform. Lingtong is our internal resource allocation and optimization system. It can be applied to multiple workstreams of our internal teams and increase their efficiency. For example, Lingtong is applied to our internal doctor allocation process, and has shortened the average patient waiting time on our platform. Zhixin, on the other hand, is embedded with our medical algorithm engine. It can analyze and recommend relevant medical services, knowledge and products to patients on our platform based on the patients' conditions and personal traits.

DATA PRIVACY AND SECURITY

We are committed to protecting data privacy and security. We have established and maintain a strict platform-wide policy on data collection, processing and usage. We sometimes collect data from our online platform users, which are strictly limited to personal information and other data that are necessary for us to provide services to our users. We obtain prior consent from users for all user data we collect, and have adopted stringent policies to ensure that our collection and usage of data is in compliance with the relevant laws and regulations. We do not monetize any of the data we collect. The registration processes require the user to provide consents to allow us to collect, process and use data necessary for providing our services.

For our hospital SaaS to comply with relevant laws and regulations and to protect users and hospitals' data integrity, we do not process or store in-hospital data. Instead, we only provide hospital end-customers the tools and technology they can use to manage and store data on-premise. We do not collect, process, store or have access to any personal information (including patient information) or in-hospital data through our hospital SaaS product. We can only access data generated from our pharmacy SaaS and healthcare management platform. In particular, for our pharmacy SaaS, the types of data generated mainly include personal information of (i) pharmacists and staff using the ClouDr. Pharmacy in the pharmacies, and (ii) walk-in patients using ClouDr. Pharmacy. The types of data collected and processed by us are clearly disclosed in the privacy policies of the relevant mobile app and Weixin mini programs, including (i) the name, contact information, and position/responsibility/role, electronic signatures of the staff using our pharmacy

SaaS in pharmacies; (ii) the professional practice license, electronic signatures, and other information of pharmacists who are registered on the platform and providing services; (iii) the basic personal identity information (such as name and ID) and health and physiological information (such as symptoms, disease diagnosis, medication history, past medical history, allergy history), and online physician diagnosis of patients, which are necessary for providing consultation and prescription services. For our individual chronic condition management platform, we collect personal information of the patients and physicians. In this context, the types of data collected and processed by us are clearly disclosed in the privacy policies of the relevant mobile apps and Weixin mini programs, including (i) personal information of patients, including basic personal identity information (such as name, ID), which are necessary for consultation and prescription services, (ii) health and physiological information of patients (such as symptoms, disease history, medication history, past medical history, allergy history, inpatient/outpatient (emergency) medical records, examination and test reports), which are necessary for consultation and prescription services, (iii) information on patients generated during the consultation and prescription (such as health consultation details, appointment registration records, medication prescriptions and physician's diagnosis results), (iv) basic personal identity information on physicians (such as mobile number for registration, and name and ID), which are necessary for real name verification, (v) physicians' other information, such as the professional practice license, electronic signatures, and other information before providing consultation and prescription services

To ensure the confidentiality and integrity of our data, we maintain a comprehensive and rigorous data security program. We conduct back up of our operating data on a regular basis offline and in separate and various secured data back-up systems to minimize the risk of data loss. We back up our data on a daily basis in various distributed secured data storage systems to minimize the risk of data loss. We also conduct frequent reviews of our back-up systems to ensure that they function properly and are well maintained. Our detailed protocol for operation and maintenance management, monitor and alert mechanisms, network security management and disaster recovery ensures our operating continuity. We have also established a business continuity plan in case of catastrophic events, such as natural or unnatural disasters that could lead to various business interruptions, such as power failures, network failures, or server power outages. In addition, our maintenance team closely and constantly monitors for common technical issues and the usage of resources such as central processing units and memory and alerts our technical team of unusual technical difficulties. In addition, we have set up an emergency response team to annually conduct disaster recovery drills on important systems and continuously improve our systems. Our back-end security system is capable of handling malicious attacks to safeguard the security of our platform and to protect the privacy of our users. For additional information, see the section titled "Risk Factors — Risks Related to Our Business and Industry — Our business generates, processes and has access to a large amount of data, and the improper use or disclosure of such data could harm our reputation as well as have a material adverse effect on our business and prospects."

We have a strict multi-level data collection policy to ensure that (i) we only collect user data that is necessary for us to provide services to our users, (ii) we obtain prior consent from users for all user data we collect, and (iii) our collection of user data is in compliance with the relevant laws and regulations. All of our data is stored in PRC. We de-identify and encrypt confidential personal information and implement other technological measures to ensure the secure processing, transmission and usage of data. We have also established stringent internal protocols under which we grant access to confidential personal data only to limited employees within strictly defined and layered access authority. We conduct data de-identification in compliance with the Cybersecurity Law and Personal Information Security Guidelines, design and implement anonymize programs with reference to the Health Insurance Portability and Accountability Act, or the HIPAA, and give due consideration to the de-identification requirements of data controllers such as hospitals. Our de-identification technologies help our customers detect, encrypt or remove personal identifiers, including the patient' name, address, telephone number, identity card number, social security number, email address, home address, name of contact person, registered permanent residence and any other information that can identify a patient pursuant to the PRC Cybersecurity Law and other applicable PRC laws and regulations, and by referring to the HIPAA.

We have adopted and implemented robust internal control system focusing on data security and personal information protection. This includes our policies regarding data security, management of data security, and data classification and categorization. Our internal control protocols cover the full lifecycle of data processing including data collection, data quality management, data encryption and transportation, data storage security, data backup and recovery, data processing and analytics, proper use of data, data destruction and disposition. We require all our employees to comply with medical ethics and protect privacy and personal information contained in our customers data, and we strictly prohibit unauthorized or improper collection or use of such data or personal information. We prohibit our employees from storing any work-related documents, files or data on unauthorized servers or personal computers. Moreover, our policies require strict compliance on data encryption. We require our employees to acknowledge and sign confidentiality agreements which include their confidentiality obligations upon their employment with us. We have implemented stringent data security monitoring and alert systems for sensitive data. We also strictly follow the terms of authorization and the scope of usage set forth in the agreements with our customers when processing and analyzing their data. We have the right to dismiss any employee if they illegally misuse or leak our data or customer data or cause any damage to us or our customer, and may also pursue further legal proceedings against them. As the regulatory regime is developing very quickly, we will keep a close watch on legislative developments in the data security space. To mitigate the potential impact of any regulatory changes, we have conducted a comprehensive review of the status of our network security, data compliance and personal data protection, and measures have already been taken to ensure compliance with currently effective laws and regulations in all material aspects, including internal control policies and procedures.

Pursuant to the Anti-Monopoly Law of the PRC (中華共和國反壟斷法), monopolistic practices include (a) the conclusion of monopoly agreements between undertakings, including without limitation those with competitors to fix or change prices, restrict production or sales, divide markets, restrict developing or using new technologies, equipment's and products, and refuse transactions jointly, and those with trading counterparts to fix resale prices or lowest prices for resale, (b) the abuse of dominant market position by undertakings, and (c) the concentration of undertakings that have or may have the effect of eliminating or restricting market competition. We do not conduct any of the foresaid monopolistic practices, in particular, we (i) do not have exclusive arrangements with our customers, (ii) are unlikely to be regarded by the relevant authorities as possessing the dominant market position in the industry given the relatively competitive industry landscape, (iii) do not conduct any actions which are considered to be an abuse of the dominant market position and (iv) are not involved in any concentration of undertakings which are required to be reported to the relevant authorities pursuant to the Anti-Monopoly Law or other applicable antitrust laws. Based on the above, we have been advised by our PRC Legal Adviser that our operations do not violate the Anti-Monopoly Law or other applicable antitrust laws in any material respect.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INITIATIVES

COVID-19

We are committed to corporate social responsibility and meeting society's changing needs. We are committed to supporting and participating in socially responsible projects that align with our core values and mission, and to extend the benefits of our products and services through our technology-driven platform to the community at large. In response to the recent coronavirus (COVID-19) outbreak, we have taken a series of initiatives.

We were among the pioneers in contributing to the combat against COVID-19. In early February, 2020, we donated a number of medical devices and consumables to Wuhan Huoshenshan Hospital (武漢火神山醫院). We sent 5 engineers along with the donation to install *ClouDr. Yihui* on Wuhan Huoshenshan Hospital's system and help the hospital respond to the pandemic in a more digitalized and efficient manner. For our contributions to China's battle against COVID-19, as well as our success in protecting and caring for our employees during the COVID-19 outbreak, we were recognized by a joint list selected by two leading human resources companies in China and Hurun as one of "China's Best Employers during COVID-19."

As a few COVID-19 cases were reported in several parts of China in the second half of 2021, we took a series of initiatives to collaborate with registered doctors on our platform to offer free online consultation services in these areas that saw new cases of COVID-19.

Gender equality

We value gender equality and diversity, and we have taken initiatives to broaden the impact of female workers, and empower and encourage them to share their perspectives. We are also dedicated to combating the stigma women face in the workplace. Led by our CFO, Ms. Lili Xu and director of investor relationship, Mengya Liu, we posted a series of articles on our Weixin public account, titled "Be the Queen of Yourself", which featured interviews with female employees in our Company. These interviews were our effort to rid the stereotypical labels that people usually associate with "working women." By giving them a podium to speak and freely express themselves, we believe this series of articles and the stories behind would encourage and empower more women at our Company to thrive and succeed.

Diversity at work

We focus on embracing diversity within our Company and equal and respectful treatment of all of our employees, including those with disabilities. We have policies in equality in the hiring, training, wellness and professional and personal development of our employees. We will continue to promote work-life balance and create a positive workplace for all of our employees, and strive to establish a sound talent cultivation mechanism for them.

Social responsibility

We are actively involved in local communities in an effort to promote health awareness and offer healthcare services.

As a digital company, we believe in the power of technology and talent. In 2021, we collaborated with Chongqing University of Post and Telecommunications to host the first "ClouDr. Cup" software testing competition. The competition's mission was to discover, foster and cultivate more talents in the technological field and promote community awareness of the importance of technology. We have also established, in collaboration with Beijing University of Post and Telecommunications, an AI medical lab. This lab is dedicated to the studies in the AI medical fields such as smart assisted consultation and diagnosis, smart diagnosis, medical knowledge map.

In 2021, we founded the "2021 digital healthcare technology innovation fund", which will be used to fund innovative projects that we think can best change or improve the healthcare industry in China. The fund will accept application from projects that are (i) industry leading technological projects related to in- or out-of-hospital disease management, disease data analysis or interactive software/hardware, and (ii) scientific management solutions for disease screening, digital management of diseases, etc.

We have also established several "ClouDr. Healthcare Stations" in communities in Beijing and Shanghai, which offer free online consultation services to residents in the communities through our platform. We have also set up AI-empowered robots in these stations to allow residents to connect their own medical devices for better consultation results.

During the city flood in Zhengzhou, Henan in July 2021, we offered free online consultations for all users in the area.

Environment

We are committed to sustainability as part of our corporate strategy, and we strive to cultivate a sustainable mindset among our employees and work environment. We have conducted a series of campaigns that aim to reduce waste and carbon emissions of both our Company and our employees, including trash-sorting in all of our offices, water reduction, and carbon emission reduction. We have established several protocols in our offices in our effort to reduce water-usage. We placed signs to remind our employees to reduce their water usage.

We are also committed to carbon mitigation measures and will continue to explore ways to further improve energy efficiency. We ask our employees to be mindful of the environment when consuming office supplies, such as using double-sided printing and only printing when necessary. In our offices, we have internal policies for when and how air conditioners are to be used, based on temperature and time.

SALES AND MARKETING

Sales

We promote our solutions through our experienced business development teams, consisting of both our employees and flexible staff. Our sales force is primarily organized by type of end-customer, and is further organized into multiple regional teams covering different regions across China. Many members of our hospital-focused business development teams have a medical and healthcare background. Members of our pharmacy-focused team mostly have had years of experience in sales. We also utilize services from external sales agents who assist us in our efforts to promote our products and solutions. We incentivize our business development teams by setting specific key performance goals for each team and by adopting a commission-based reward mechanism linked to the sales personnel's performance.

Our business development teams focus on covering more hospitals and pharmacies. For existing hospitals and pharmacy end-customers, our business development teams also focus on encouraging them to install our SaaS to increase stickiness and utilize more of our solution to

monetize. They also encourage our end-customers to purchase different types of medical devices and consumables as they see fit. In addition, our business development teams also assist our doctor acquisition activities offline.

We also operate a customer management system comprising customer management, prospect management, pre-sale management and contract management. Our business development teams use our customer management system to manage our customers, sales prospects, as well as the pre-sales and contracting process. Our management also uses the system to evaluate the productivity and efficiency of our business development teams and to assess the value of each customer to optimize our customer relationship management. We believe that our customer management system has been a key factor in enabling us to manage the rapid growth of our business up to now and provides us with scalability going forward.

Marketing

We have a marketing team responsible for increasing the awareness of our brand, promoting our new and existing solutions, maintaining our relationship with business partners and managing public relations. Part of our marketing team is primarily focused on branding, including hosting online and offline seminars to promote our brand, and the other part of the team is primarily responsible for online user acquisition. Our marketing approach focuses first and foremost on top hospitals, national chain pharmacies, and large pharmaceutical and medical device companies. From these top customers, we seek to expand our customer base to lower-class hospitals, pharmacies and pharmaceutical and medical device companies.

We deploy various means for our marketing efforts, including offline events and online channels. We host and participate in various events, such as industry conferences, forums and seminars, to increase our exposure and develop and maintain relationships with various industry participants. We also utilize online channels, such as webinars and online forums, to deepen our interaction with industry participants, engage doctors and patients in our online communities and create more traffic for our follow-up marketing attempts.

We conduct online targeted marketing mainly in cooperation with our marketing partners. For example, we cooperate with medical specialists to organize online academic seminars to increase our market exposure, build brand awareness and enlarge our potential customers base.

IMPACT OF COVID-19 ON OUR OPERATIONS

The outbreak of COVID-19 has resulted in temporary disruptions to our business operations for the first half of 2020 and the first half of 2021 as installments of our SaaS in hospitals were largely affected. During the early stage of the COVID-19 outbreak, primarily due to the

restrictions on economic and social activities imposed by the Chinese government, restricted access to hospitals, and the economic uncertainties caused by the COVID-19 outbreak, we saw a decrease in the demand for certain medical products and services from hospitals, pharmacies and individuals and delays in the installation of our SaaS products by certain hospitals and pharmacies. During the pandemic, we continued working virtually through telecommunication arrangements, and conducted virtual visits and meetings with our customers to maintain good business relationships. We also established a virtual reporting procedure to ensure the efficiency of work and internal communication. As the COVID-19 control measures were gradually lifted in the second half of 2020, our business, particularly our in-hospital solution, recovered quickly and maintained the strong momentum into 2021. The negative impact of the COVID-19 outbreak on our business during the early stage did not materially affect our financial performance. Our revenue increased by 60.0% and 109.4% year-over-year for the years ended December 31, 2020 and 2021, respectively.

China has experienced upticks in cases that have prompted selective restrictions in affected regions. For example, in the summer of 2021, there was an uptick in cases in Nanjing, Jiangsu province, attributed to the highly contagious Delta variant. The outbreak in Nanjing spread to many other provinces and cities in China. Certain travel restrictions and other limitations were imposed in various places in response to these new cases. In September 2021, there was another outbreak in Fujian province, which led to the imposition of travel curbs and other restrictive measures by the local governments. In the winter of 2021 and early 2022, there was an uptick in COVID-19 cases in certain cities across China, attributed to the Delta and highly contagious Omicron variants, which lead to the imposition of certain travel restrictions and other limitations in various places across China. As of the Latest Practicable Date, there had been no material adverse impact on our operations and financial position as a result of the recent outbreak of COVID-19 in China including the recent emergence of Omicron variant. However, regional outbreaks of COVID-19 driven by Omicron had and may continue to have, temporary and intermittent adverse impact on our operations and financial performance. For example, due to the regional outbreak of Omicron in Shanghai since March 2022 and the strict lockdown imposed to curb COVID-19 cases, approximately 160 of our employees based in Shanghai have been working from home. We provided various support and adopted various measures to improve the well-being and work productivity for our employees in Shanghai. Nevertheless, the productivity of our employees may be adversely affected due to work-from-home model. In addition, due to the restrictive measures implemented to curb COVID-19 cases in Shanghai, our business development activities for our digital marketing services with a relatively high gross profit margin experienced a temporary slowdown, which may temporarily affect our overall gross profit margin. We continue to monitor the COVID-19 situation and assess our strategies accordingly. We currently do not anticipate any material deviation from our business plan due to the COVID-19 pandemic, including the recent emergence of Omicron virus variant.

Since the COVID-19 outbreak, the number of hospitals that installed our hospital SaaS increased from 377 as of December 31, 2019, to over 1,700 as of December 31, 2020, and our registered users increased from 17.1 million as of December 31, 2020 to 23.8 million as of December 31, 2021. The pandemic raised hospitals' awareness and patients' acceptance of digitalization, which we believe we are well positioned to capitalize in the long term given our leading position in the digitalization transformation of the industry.

OUR SUPPLIERS

In 2019, 2020 and 2021, purchases from our five largest suppliers in aggregate accounted for 36.3%, 21.2% and 25.1% of our total purchases, respectively, and purchases from our largest supplier in each year during the Track Record Period accounted for RMB205.7 million, RMB231.4 million and RMB146.4 million, representing 25.5%, 7.8% and 9.5% of our total purchases for the respective year. All of these suppliers are located in China. All of our five largest suppliers are Independent Third Parties. None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our five largest suppliers during the Track Record Period that is required to be disclosed under the Listing Rules. We usually pay our trade payables with suppliers within 180 days of recognition. The tables below set forth the details of our five largest suppliers in terms of percentages of total purchase during the Track Record Period.

Rank	Suppliers	Year of Commencement of Business Relationship	Nature of the Supplier's Business with Us	Product/ Service Purchased	Purchase Amount	Percentage of Total Purchase
					(RMB'000)	
For the year ended December 31, 2019						
1	Supplier A, whose principal businesses are the manufacture, marketing and sales of certain medical products . . .	2015	Distributor of medical devices and consumables	Purchase of medical devices and consumables	205,728	25.5%
2	Supplier B, whose principal businesses are medical devices and consumables .	2018	Distributor of medical devices and consumables	Purchase of medical devices and consumables	24,808	3.1%
3	Supplier C, whose principal businesses are medical devices and consumables .	2019	Distributor of medical devices and consumables	Purchase of medical devices and consumables	23,539	2.9%
4	Supplier D, whose principal businesses are medical devices and consumables .	2018	Distributor of medical devices and consumables	Purchase of medical devices and consumables	21,981	2.7%
5	Supplier E, whose principal businesses are medical devices and consumables .	2019	Distributor of pharmaceutical products	Purchase of pharmaceutical products	16,470	2.1%

Rank	Suppliers	Year of Commencement of Business Relationship	Nature of the Supplier's Business with Us	Product/ Service Purchased	Purchase Amount	Percentage of Total Purchase
					(RMB'000)	
For the year ended December 31, 2020						
1	Supplier A, whose principal businesses are the manufacture, marketing and sales of certain medical products . . .	2015	Distributor of medical devices and consumables	Purchase of medical devices and consumables	122,885	7.8%
2	Supplier F, whose principal businesses are medical devices and consumables .	2020	Promotion & Marketing service	Purchase of digital marketing service	87,184	5.5%
3	Supplier G, whose principal businesses are medical devices and consumables .	2019	Distributor of pharmaceutical products, medical devices and consumables	Purchase of pharmaceutical products	69,077	4.4%
4	Supplier D, whose principal businesses are medical devices and consumables .	2018	Distributor of medical devices and consumables	Purchase of medical devices and consumables	27,955	1.8%
5	Supplier H, whose principal businesses are medical devices and consumables .	2019	Distributor of pharmaceutical products	Purchase of pharmaceutical products	27,276	1.7%
For the year ended December 31, 2021						
1	Supplier A, whose principal businesses are manufacture, marketing and sales of certain medical products.	2015	Distributor of medical devices and consumables	Purchase of medical devices and consumables	231,361	9.5%
2	Supplier I, whose principal businesses are marketing and sales of certain medical products	2021	Distributor of medical devices	Purchase of medical devices	132,440	5.4%
3	Supplier J, whose principal businesses are marketing and sales of certain medical products	2021	Distributor of medical devices	Purchase of medical devices	118,983	4.9%
4	Supplier K, whose principal businesses are marketing and sales of certain medical products	2021	Distributor of medical devices	Purchase of medical devices	73,494	3.0%
5	Supplier L, whose principal businesses are marketing and sales of certain medical products	2020	Distributor of medical devices and consumables	Purchase of medical devices and consumables	55,540	2.3%

In general, we do not enter into long-term agreements with our suppliers. Our purchase agreements and distribution agreements with our suppliers are generally with terms of no more than one year, subject to renewal. Except under certain agreements where we are the exclusive distributor for our suppliers, we usually are not subject to minimum sales target and purchase amounts under these agreements. Our agreements with our suppliers generally do not allow either party to terminate without cause. To the best of our knowledge, we have not breached any of our purchase and distribution agreements with our suppliers.

In 2019, we entered into a four-year exclusive distribution agreement with Supplier A for a variety of products that it manufacture. Under the agreement, we are subject to certain minimum purchase and minimum sales requirements. If we fail to satisfy these requirements, Supplier A has the right to terminate the agreement. We have a credit term of 45 days. Either party can terminate for cause, but neither party can terminate unilaterally without cause.

In 2019, 2020 and 2021, two, one and four of our major suppliers in the Track Record Period were also our customers during the same period, respectively. See "— Customers who are also our suppliers."

CUSTOMERS

Our customers include distributors that we use for our in-hospital solution and our pharmacy solution, and pharmaceutical companies who use our digital marketing services; we also have hospital and pharmacy customers. See "— Distributors." For each of the years ended December 31, 2019, 2020 and 2021, our five largest customers accounted for approximately 30.8%, 26.5% and 30.1% of our total revenue, and revenue from our largest customer in each year during the Track Record Period alone accounted for RMB72.1 million, RMB49.8 million and RMB146.4 million, representing 13.7%, 5.9% and 8.3% of our total revenue for the respective period. As of the Latest Practicable Date, we had maintained business relationships with our five largest customers for one to four years. To the best of our knowledge, all of our five largest customers during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest customers during the Track Record Period that is required to be disclosed under the Listing Rules.

The tables below set forth the details of our five largest customers in terms of percentages of total revenues during the Track Record Period.

Rank	Customers	Year of Commencement of Business Relationship	Line of Business with Us	Product/ Service Sold	Revenue	Percentage of Total Revenue
					(RMB'000)	*(%)*
For the year ended December 31, 2019						
1	Customer A, whose principal businesses are daily necessities, technologies, and medical supplies.	2018	Pharmacy Solution	Sales of medical devices and consumables	72,105	13.7%
2	Customer B, one of the leading pharmaceutical companies in China .	2018	In-hospital Solution, Pharmacy Solution	Sales of pharmaceutical products, medical devices and consumables	40,067	7.6%
3	Customer C , whose principal businesses are online pharmaceutical selling and marketing	2019	Pharmacy Solution	Sales of medical devices and consumables	18,645	3.6%
4	Customer D, whose principal businesses are medical devices for monitoring, diagnosis and treatment	2018	Pharmacy Solution	Sales of medical devices and consumables	17,564	3.3%
5	Customer E, whose principal businesses are pharmaceutical research and logistic operation	2019	In-hospital Solution, Pharmacy Solution	Sales of pharmaceuticals products	13,504	2.6%
For the year ended December 31, 2020						
1	Customer F, whose principal businesses are medicines	2020	In-hospital Solution, Pharmacy Solution	Sales of pharmaceuticals and medical devices	49,752	5.9%
2	Customer G, whose principal businesses are medical devices and consumables .	2020	In-hospital Solution, Pharmacy Solution	Sales of pharmaceuticals	49,654	5.9%
3	Customer H, whose principal businesses are medicines	2019	In-hospital Solution	Digital marketing services	44,720	5.3%
4	Customer B, one of the leading pharmaceutical companies in China .	2018	In-hospital Solution, Pharmacy Solution	Sales of pharmaceutical products, medical devices and consumables	41,565	5.0%
5	Customer I, whose principal businesses are medicines	2019	In-hospital Solution	Digital marketing services	36,950	4.4%

Rank	Customers	Year of Commencement of Business Relationship	Line of Business with Us	Product/ Service Sold	Revenue	Percentage of Total Revenue
					(RMB'000)	*(%)*
For the year ended December 31, 2021						
1	Customer J, whose principal businesses are medical devices and consumables .	2021	In-hospital solution	Sales of medical devices	146,407	8.3%
2	Customer K, whose principal businesses are manufacture, marketing and sales of certain medical products.	2020	In-hospital solution	Digital marketing services	114,956	6.5%
3	Customer L, whose principal businesses are marketing and sales of certain medical products	2020	In-hospital solution	Sales of medical devices and consumables	107,540	6.1%
4	Customer M, whose principal businesses are marketing and sales of certain medical products	2020	In-hospital solution	Sales of medical devices and consumables	99,275	5.7%
5	Customer I, whose principal businesses are medicines	2019	In-hospital solution	Digital marketing services	62,017	3.5%

We have experienced substantial shifts among our top five major customers during the Track Record Period, primarily due to the large revenue contributions of new customers in each period as our business expanded, which surpassed that of some of the top five customers in previous periods. During the Track Record Period, at least 50% of our top five customers stayed as our customers even though they may no longer be among the top five.

In general, we do not enter into long-term agreements with our customers. Our purchase agreements and service agreements with our customers are generally with terms of no more than one year, subject to renewal. Under our purchase agreements with our customers, they generally are not subject to minimum sales target and purchase amounts. For a small amount of customers, we have entered into agreements for rights to sell our hospital SaaS where the customers had minimum purchase obligations. Our purchase agreements with our customer generally do not allow either party to terminate without cause. To the best of our knowledge, we have not historically breached any of our purchase and distribution agreements with our suppliers.

We have entered into some collaboration agreements with some of our pharmacy SaaS customers which have terms of 15 to 24 months, subject to renewal. Under these agreements, we provide these customers our pharmacy SaaS under subscription model. We generally have the right to unilaterally terminate the contracts with up to 30 days' notice.

The key contractual terms of our agreements with customers are summarized below:

- *Duration and option to renew:* We typically do not enter into long-term agreements with our customers. Our agreements with customers are generally on an order-by-order basis or has a term of one year, subject to the option of renewal.

- *Products and services:* The agreements stipulate the types of products or services provided by us, the volume of products or the duration of services, and other product- or service-specific information.

- *Pricing policies:* We sell products or provide services at fixed prices provided in an agreement. Our pricing policies for products and services vary among solution lines. See "— Our Business Models" for details of the pricing policies for each solution line.

- *Exclusivity:* We generally do not enter into exclusive agreements with our distributors. We usually enter into exclusive contracts with pharmaceutical companies to conduct digital marketing services for them in a specific region for a specific SKU.

- *Payment and credit terms.* Credit terms are generally for advance payment to up to 9 months following the invoice date, or monthly on an as-incurred basis.

- *Termination:* In general, either party can terminate for cause.

- *Standard terms and conditions:* Our standard terms and conditions form part of the contract, which stipulates issues including legal and contractual requirements on the products and services provided, representations and warranties of both parties, confidentiality, intellectual property rights and dispute resolutions.

In 2019, 2020 and 2021, two, four, and three of our major customers in the Track Record Period were also our suppliers during the same period, respectively. See "— Customers who are also our suppliers."

We cooperated with Customer A on a significant scale in 2019 to sell medical devices and consumables, acting as the exclusive distributor of a certain popular glucose testing strips brand on Customer A's platform. In order to meet the potential demand from users on Customer A's platform, we maintained high levels of inventories. In 2020, as part of our effort to improve our management of inventories and receivables and lower the relevant costs and risks, as well as to shift to businesses with higher margins, we began gradually phasing out sales of low-margin products on Customer A's platform. Our inventory levels declined as a result. See "Financial Information — Discussion of Certain Key Balance Sheet Items — Current Assets/liabilities — Inventories."

DISTRIBUTORS

Consistent with industry practice, we often rely on distributors for the subscription of our hospital SaaS and the sales of medical devices, consumables and pharmaceuticals to hospital end customers. We also work with distributors, who act as wholesalers, in the sales of pharmaceuticals, consumables, medical devices and miscellaneous to some pharmacy end customers. Our distributors are also our customers under these same transactions.

For hospitals end customers, the distributors we work with are Independent Third Parties, the majority of which are vendors on our hospital end customers' procurement vendor lists. As industry norm according to Frost & Sullivan, we provide our hospital SaaS, as well as of pharmaceuticals, consumables and medical devices to these vendors, who then sell them to our hospital end-customers. Chinese hospitals in general do not procure medical devices, consumables and pharmaceuticals from vendors that are not on their vendor lists. In particular, public hospitals are generally required by the relevant regulatory authorities to procure from a vendor list. We therefore use distributors for sales to hospitals where we are not on the vendor lists. We also sometimes directly sell to hospitals where we are on the vendor lists. For pharmacy end-customers, we use distributors mainly to access the large number of pharmacy stores in China. We also directly sell to several large-scale chain pharmacies.

We selected our distributors based on their business qualifications and distribution capabilities, such as distribution network coverage, quality, number of personnel, cash flow conditions, creditworthiness, logistics, compliance standard and past performance, and its capacities in customer management. As of the Latest Practicable Date, we were not aware of any potential abuses or improper use of our name by our distributor which could adversely affect our reputation, business operation or financial condition.

We enter into distribution agreements with our distributors, under which we sell subscription rights to our hospital/pharmacy SaaS, as well as medical devices, consumables, pharmaceuticals and miscellaneous to the distributors, and our distributors are authorized to sell these items purchased from us to our hospital/pharmacy end customers. The relationship between our distributors and us constitute a buyer and seller relationship. Accordingly, we recognize revenue when the control of the goods is transferred to the distributors.

Set forth below are the key contractual terms of our agreements with our distributors:

- *Duration and option to renew*: The distribution agreement is generally on an order-by-order basis or has a term of one year, which can be renewed by mutual agreement.

- *Rights and obligations of parties involved*: We retain no ownership control over the products sold to our distributors, and all significant risks (including inventory risks) and rewards associated with the products are generally transferred to the distributors upon delivery to and acceptance by the distributors.

- *Sales and pricing policies*: We sell products to our distributors at a fixed price provided in the agreement.

- *Exclusivity*: We generally do not enter into exclusive agreements with our distributors.

- *Designated geographical regions and sub-distributors*: Because our relationships with our distributors are not traditional supplier-distributor relationships, but more akin to buyer-seller relationships, we typically do not include restrictions on engaging sub-distributors. For our distributors selling to hospitals, because many of them are on the respective vendor lists of those hospitals, it is unlikely that they would engage sub-distributors. For our distributors selling to pharmacies, we usually have designated geographical areas in which they can distribute.

- *Target order frequency*: Not applicable.

- *Warranty*: Not applicable.

- *Obsolete stock arrangements*: There is no obsolete stock arrangements condition.

- *Return and exchange policy*: We generally do not accept product returns except for products with quality defects, which is in line with market practice and is in accordance with relevant laws and regulations regarding drugs and medical devices sold to hospitals and pharmacies.

- *Minimum sales target and purchase amounts*: We generally do not require our distributors to meet any minimum sales target and purchase amounts. For a small amount of customers, we have entered into agreements for rights to sell our hospital SaaS where the customers had minimum purchase obligations. Our distributors may from time to time place orders with us depending on their own demands.

- *Payment and credit terms*: Credit term is generally from advance payment to up to 9 months following the invoice date.

- *Termination*: Both parties can terminate by cause.

We believe we are not particularly prone to inventory accumulation risks, as (i) many of our distributors place order with us on a per-order basis according to actual needs; (ii) many of our products have limited shelf lives, typically ranging from one to two years; and (iii) our sales teams contact our distributors from time to time to understand their inventory flow. We mitigate cannibalization risk among our distributors by designating geographic areas for each of our distributors for pharmacies, and our sales teams pay periodic visits to these distributors to ensure such clauses are complied with.

The table below sets forth the number of our distributors in each year during the Track Record Period.

	For the Years Ended December 31,		
	2019	2020	2021
Number of distributors at the beginning of the year	372	560	749
Number of new distributors during the year	344	453	584
Number of distributors terminated during the year	156	264	375
Number of distributors at the end of the year	560	749	958

In 2019, 2020 and 2021, revenues generated from distributors consisted approximately 61.2%, 66.0% and 58.8% of our total revenue, respectively. In general, the numbers of our distributors increased from 2019 to 2021 as our business expanded. A majority of our distributors are vendors who are on various hospitals' vendor lists, who tend to be small vendors. In some periods, we use these small distributors on a per-order basis. Small vendors on hospitals' vendor lists fluctuate from year to year, as industry norm according to the Frost & Sullivan Report; a vendor on a hospital's vendor list for a given year may not be on the list in the next year. This is the reason why we experienced fluctuations in the composition of our distributors. For distributors with whom our contracts are on a per-order basis, we consider them to have continued service with us if we have entered into at least one new contract with them in the next year.

The following table sets forth the percentages of revenues realized through our distributors under each of our business lines for the years indicated. We do not use distributors for our individual chronic condition management solution and others business.

	For the Years Ended December 31,		
	2019	2020	2021
In-hospital solution	69.7%	59.8%	61.2%
Pharmacy solution	51.8%	80.7%	63.7%

During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with our distributors which we terminated or did not continue the respective cooperations.

CUSTOMERS WHO ARE ALSO OUR SUPPLIERS

For the years ended December 31, 2019, 2020 and 2021, to the best knowledge and belief of our Directors, two, four and three of our major customers and/or their related group companies were also our suppliers, respectively. For the years ended December 31, 2019, 2020 and 2021, our sales to these customers accounted for approximately 6.1%, 20.6%, and 15.7%, respectively, of our total revenues. During the same periods, our purchases from such customers and/or their related companies accounted for approximately 0.4%, 1.0%, and 0.1%, respectively, of our total purchases. For the years ended December 31, 2019, 2020 and 2021, the gross profit for our sales to these customers amounted to RMB1.3 million, RMB71.4 million and RMB169.2 million, respectively. During the same periods, our gross profit margin for our sales to these customers was 4.0%, 41.3% and 61.2%, respectively. These entities are our distributors or customers of our digital marketing services. These entities are our customers and also our suppliers mainly because (i) these distributors for our goods were/are also themselves our suppliers of certain SKUs of supplies that we purchase from them, which are different from the SKUs that they distribute for us or (ii) these customers of our digital marketing services were/are pharmaceutical companies, who sometimes sell us products that we resell, the amount of which is immaterial to our business. None of our sales to and purchases from these overlapping entities is the same or back-to-back sales during the Track Record Period.

For the years ended December 31, 2019, 2020 and 2021, to the best knowledge and belief of our Directors, two, one and four of our major suppliers and/or their related group companies were also our customers, respectively. For the years ended December 31, 2019, 2020 and 2021, our purchase from such customers and/or their related companies accounted for approximately 28.4%, 7.8% and 22.1%, respectively, of our total purchases. During the same period, our sales to such customers accounted for approximately 1.1%, 0.7%, and 0.6%, respectively, of our total revenues. For the years ended December 31, 2019, 2020 and 2021, the gross profit for our sales to these

customers amounted to RMB2.2 million, RMB3.8 million and RMB4.9 million, respectively. During the same periods, our gross profit margin for our sales to these customers was 32.9%, 66.8% and 43.3%, respectively. These entities are our customers and also our suppliers mainly because (i) one of our suppliers also uses our advertisement service under our individual chronic condition management solution; or (ii) there are cases where major suppliers were/are our distributors for certain hospitals as they are on these hospitals' vendor lists. Except for two instance, two of our major suppliers in 2021 were distributors of a certain SKU and sold us a number of units of such SKU; during the same period, the supplier was short of such SKU and purchased one unused unit from us to fulfill its other customer's need. Negotiations of the terms of our sales to and purchases from these customers and/or their related group companies were conducted on individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Except as disclosed above, none of our sales to and purchases from these overlapping entities is the same or back-to-back sales.

RESEARCH AND DEVELOPMENT

We invest substantial resources in research and development, focusing primarily on improving current technology, developing new products and solutions, and enhancing customer support. We incurred RMB23.8 million, RMB132.4 million and RMB236.2 million of research and development expenses in the fiscal years ended December 31, 2019, 2020 and 2021, respectively, accounting for 4.5%, 15.8% and 13.4% of our total revenues during the same respective years.

Our research and development personnel primarily consist of data engineers, software engineers, technology infrastructure architects and healthcare product specialists. We have a dedicated team of data engineers who focus on big data technology infrastructure and AI, and maintain and upgrade our healthcare data processing capabilities. Their research and development directions include healthcare natural language processing, deep learning and healthcare big data mining and applications. Our research and development initiatives on product and technology innovations include: (i) for our in-hospital solution, continuously developing AIoT technologies that can connect to more medical devices, and enhance the functionality of our hospital SaaS; (ii) for our pharmacy solution, continuously helping more pharmacies to establish the new retail business; and (iii) for individual chronic condition management solution, offering more comprehensive services to better serve patients throughout the chronic management life cycle.

We also have a dedicated medical and healthcare research and development team. They focus their research and development efforts on chronic condition management for different diseases and work with researchers and hospitals on clinical trials for our solutions. As part of our research and development initiatives on medical service capabilities, we will continue to sponsor, participate in and contribute to four on-going clinical trials conducted in hospitals on (i) a clinical trial on blood lipid management in the therapeutic area of cardiology; (ii) a clinical trial on blood sugar

management in the therapeutic area of endocrinology; (iii) a clinical trial on chronic insomnia sleep management in the therapeutic area of neurology; and (iv) a clinical trial on obesity weight management in the therapeutic area of endocrinology.

Most of our research and development personnel are based in Hangzhou and Shanghai.

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

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Staff costs	18,100	76.2	93,309	70.5	203,453	86.1
IT service fees	1,613	6.8	30,583	23.1	24,989	10.6
Others	4,040	17.0	8,505	6.4	7,802	3.3
Total	**23,753**	**100.0**	**132,397**	**100.0**	**236,244**	**100.0**

Our research and development expenses increased significantly during the Track Record Period.

Through investments in research and development, we achieved a number of milestones during the Track Record Period. The following table demonstrates a selection of technological milestones that we achieved.

Hospital SaaS:

Time	Milestone
March 2020	Included virtual ward function
December 2020	Expanded functions to include solutions for insulin usage
August 2021	Expanded functions to include solutions for blood ketones, blood oxygen and vital signs monitoring

Pharmacy SaaS

Time	Milestone
May 2019	Launched pharmacy SaaS
July 2019	Launch video-based consultation

Time	Milestone
June 2020	Launched PC-portal for video-based consultation
August 2020	Launched PC-based consultation for doctors

ClouDr. Health

Time	Milestone
May 2019	Included management functions for several new diseases
January 2020	Launched tiered memberships
July 2020	Launched Health Mall
April 2021	Launched fast consultation and specialized disease package functions

We expect research and development expenses to continue to increase in absolute amounts as we expand our technology team, enhance our data analytics capabilities and develop new features and applications to better serve various participants in the chronic condition management value chain. However, we expect these expenses to decrease as a percentage of our total revenue as we are able to leverage the growing scale of our business.

Staff costs are the largest component of our research and development expenses. Our expenditures on research and development staff allowed us to continually expand our research and development team with members with strong background and expertise in software, AI and big data, who play an instrumental role in strengthening our research and development capabilities and developing and enhancing our products. Other research expenditures on traveling expenses, depreciation and office expenses contribute to the enhancement of our technological capabilities by providing advanced hardware and technology support to our research and development personnel.

INTELLECTUAL PROPERTY

We rely on a combination of patent, copyright, trademark and trade secret laws in China, as well as license agreements and other contractual protections, to protect our proprietary technology. We also rely on a number of registered trademarks to protect our brand.

As of the Latest Practicable Date, in China, we had 28 issued patents, which will expire between March 2025 and September 2040, and had 18 patent applications pending for examination. In addition, as of the Latest Practicable Date, we had 267 registered trademarks in China.

We vigorously protect our technology and proprietary rights. We have employed internal policies, confidentiality agreements, encryption and data security measures to protect our proprietary rights. However, there can be no assurance that our efforts will be successful. Even if our efforts are successful, we may incur significant costs in defending our rights. From time to time, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. See "Risk Factors — Risks Related to Our Business and Industry — We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position."

COMPETITION

We believe that we are positioned favorably against our competitors. However, 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. In addition, some of our competitors are large, incumbent companies who are better capitalized than we are.

Moreover, we face competition in some specific areas of our business. For example, under our in-hospital/pharmacy solution, we face competition from other players who provide similar medical devices and consumables to hospitals/pharmacies. Under our individual chronic condition management platform, we face competition from other industry players who operate online platforms with consultation and prescription services for patient and doctor acquisition.

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, quality control of our product and service offerings, our partnership with third parties, our marketing efforts, and the strength and reputation of our brand. See "— Our Competitive Strengths."

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

EMPLOYEES

As of December 31, 2019, 2020 and 2021, we had 448, 1,492 and 1,407 employees. The following table sets forth the numbers of full-time staff dedicated to our business and operations categorized by function as of December 31, 2021:

Function	Number of employees
Selling and marketing	963
Research and development	364
General and administrative	80
Total	1,407

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

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

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

We use flexible staff for part of our business development efforts, in addition to our employees. We enter into service agreements with flexible staffing platforms that we use, who deploy their flexible staffing employees to us for specified scopes of work. These flexible staffing platforms bear the relevant costs of social insurance and housing funds or similar employee benefits for the flexible staff that we use.

PROPERTIES AND FACILITIES

We do not own any properties. We mainly operate in Hangzhou, Zhejiang and Shanghai, where we leased and occupied our office space with an aggregate floor area of approximately 5,114 square meters as of the Latest Practicable Date. A substantial majority of our employees are based in Hangzhou and Shanghai. As of the Latest Practicable Date, we also leased and occupied office buildings and pharmacies in various provinces with an aggregate floor area of approximately 7,805 square meters. These leases have expiration dates ranging from June 7, 2022 to January 31, 2041.

Certain lessors of our leased fulfillment centers have not provided us with their property ownership certificates or any other documentation proving their right to lease these properties to us. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors or permits from the relevant government authorities, our leases could be invalidated, and we may have to renegotiate the leases with the owners or the parties who have the right to lease the properties. If this were to happen, the terms of the new leases may be less favorable to us. See "Risk Factors — Risks Related to Our Business and Industry — Any disruption to the operation of our current fulfillment facilities, or to the development of our new facilities, could reduce or negatively impact sales and have a material adverse effect on our business, financial condition and results of operations".

INSURANCE

In relation to our online consultation and prescription services provided through pharmacy SaaS and individual chronic condition management solution, we carry professional liability insurance covering a maximum of RMB20 million in aggregate claims over the course of a year, under which no claim had been made as of the Latest Practicable Date. We do not maintain product liability insurance for the medical devices, consumables and pharmaceuticals that we sell, as laws and regulations in China prohibit insurance for such products. See "Risk Factors — Risks Related to Our Business and Industry — We may not have sufficient insurance coverage to cover our business risks".

We provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. Additionally, we provide group accident insurance for all employees and supplementary medical insurance for all technology personnel and certain other personnel.

PRODUCT QUALITY AND SAFETY

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

Product Safety and Quality. We select our suppliers based on, among others, qualification, reliability and volume. Before entering into any agreement, we perform background checks on suppliers and the products they provide, which include examining their business licenses and the relevant licenses and certificates for their products. We also take into consideration suppliers' brand recognition and make inquiries about the market acceptance of their products among players in the industry. Depending on the circumstances, we sometimes selectively conduct on-site visits to assess and verify their location, scale of business, production capacity, property and equipment, human resources, research and development capabilities, quality control system and fulfillment capability. We generally select leading pharmaceutic manufacturers and distributors to ensure the product quality. We have established a team dedicated to the management of our suppliers with respect to product quality, logistics and returns. According to the relevant regulations, drugs and medical devices sold to our distributors may not be returned or replaced once sold for any reasons except for the reason of drug quality. As a result, we generally are not subject to return risks. See the section titled "Regulatory Overview — Regulations Relating to Drugs and Medical Devices — Pharmaceutical Operation."

Prescription drug management. We have a stringent, AI-assisted prescription verification system to manage the risks associated with the sales of prescription drugs. We offer online prescription services for patients with pre-diagnosed diseases and only accept prescriptions from licensed healthcare practitioners, whose qualifications have been verified. We also require our registered doctors to complete their multi-site registration before authorizing them to renew prescriptions for patients. We utilize pharmacists and AI-assisted tools to verify the safety and accuracy of prescriptions issued on our platform.

Warehousing and Logistics. We are committed to performing stringent quality control throughout every stage of our business operations including procurement, product inspection, warehousing, sales and delivery. We are actively involved in setting quality policies and standards, and improving quality control management through different means in our business operation. We have established a series of internal quality management protocols for our daily operation, providing guidance on and regulations of various aspects of our operations including, among others, the product quality, product shelf life management, product return, product recall and warehousing. Before warehousing, we inspect the appearance, packaging, labels and specifications of the products and examine the products according to the delivery orders and the inspection reports issued by the supplier. For products stored in our warehouse, we conduct regular quality maintenance, inspection and management, and monitor the storage conditions to ensure compliance. We have temperature-controlled warehouses to maintain suitable storage conditions

for the quality and safety of our pharmaceutical products. In addition, certain specialty medicines are stored separately in safe and controlled settings and managed by professionally trained personnel. Before delivery from our warehouse or pharmacy stores, we inspect and ensure the quality of the products to be delivered.

During the Track Record Period and up to the Latest Practicable Date, there had not been any material medical and product quality and safety issues related to our business.

SEASONALITY

We experience seasonality in our business, mainly correlating to the seasonality patterns associated with hospital and pharmacy activities in China. For example, in the first quarter, which coincides with the Chinese New Year holiday, hospitals and pharmacies in China generally experience a lower volume of patient visits and other activities, and we typically see a lower demand for our products and solutions as a result. See "Risk Factors — Risks Related to Our Business and Industry — Our results of operations are subject to seasonal fluctuations."

RISK MANAGEMENT AND INTERNAL CONTROL

We are committed to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as financial reporting, information system, internal control, human resources and investment management.

Financial reporting risk management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policy, budget management policy, treasury management policy, financial statements preparation policy and finance department and staff management policy. We have various procedures and IT systems in place to implement our accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Information system risk management

Certain types of healthcare data that we gain access to may be considered to be personal information under the applicable laws and regulations. Sufficient protection of healthcare data is critical to our success. We have implemented relevant internal procedures and controls to ensure the security of our IT infrastructure, that any healthcare data that we gain access to is protected

and that leakage and loss of such data is avoided. During the Track Record Period and up to the Latest Practicable Date, we had not experience any material system failure in our IT infrastructure, or any material leakage or loss of healthcare data.

Our IT system security department are responsible for ensuring the security of our IT infrastructure and ensuring that the usage, maintenance and protection of healthcare data are in compliance with our internal rules and the applicable laws and regulations. We provide regular trainings to our information technology teams.

Compliance and intellectual property risk management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations, as well as the protection of our intellectual property rights.

In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter into with our customers and suppliers. Our legal department as well as business operation teams examine the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties or us to perform contractual obligations and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

We also have in place detailed internal procedures to ensure that our in-house legal department reviews our products and services, including upgrades to existing products, for regulatory compliance before they are made available to the general public. Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consent, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines and ensuring all necessary application, renewals or filings for trademark, copyright and patent registration have been timely made to the competent authorities.

Human resources risk management

We provide regular and specialized training tailored to the needs of our employees in different departments. Our human resource department regularly organizes internal training sessions conducted by senior employees or outside consultants on topics of interest. Our human resource department schedules online trainings, reviews the content of the trainings, follows up with employees to evaluate the impact of such training and rewards lecturers for positive feedback. Through these trainings, we ensure that our staff's skill sets remain up-to-date, enabling them to better discover and meet consumers' needs.

We have in place internal policies approved by our management and have distributed them to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook.

Anti-bribery and anti-corruption policy

We have in place an anti-bribery and anti-corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and anti-corruption measures. Improper payments prohibited by the policy include bribes, kickbacks, excessive gifts or facilitation payment, or any other payment made or offered to obtain an undue business advantage. In particular, we issued our policy relating to anti-bribery and anti-corruption in January 2021, which provides guidance for staff behavior, and the identification, monitoring and reporting of bribery and corruption events. We keep accurate books and records that reflect the substance of transactions and asset dispositions in reasonable detail. We specifically require that the employees submit all reimbursement requests related to entertainment related fee or gifts presented to third parties on behalf of us in accordance with our expense expenditure policy, and specifically record the reason for the expenditure. These expenses should be recorded in the financial system and marked as promotional gift expenses or entertainment expenses as appropriate. In addition, we require our employees to report and obtain pre-approval of all business courtesy expenses with a value of more than RMB300 per capita or equivalent for our review and supervision. We also require that the payment must not be used for any purpose other than those described in the supporting document. Misleading or incomplete entries in our books and records are not acceptable and subject to disciplinary actions. The payment made in violation of the expense approval process, cash management system or reimbursement system is strictly prohibited. Our finance department regularly monitors the effectiveness and supervises the implementation of the policy, and report to our board of directors the applicability, appropriateness and effectiveness of the policy periodically. Any improvement measures determined by our board of directors should be implemented as soon as possible. In addition, we regularly provide anti-bribery and anti-corruption trainings to all of employees. Our legal and compliance department keeps the training records. Furthermore, we have implemented robust internal control policies with regard to third parties for our business operations, including our customers and suppliers. The internal control measures we have put into place include those for onboarding screening processes for customers and suppliers, review and approval processes for contract terms for anti-bribery related provisions, pre- and post-review and approval processes for selling expenses, and a comprehensive compliance control framework. Our legal and compliance department is responsible for monitoring, accepting escalation, processing investigation and reporting of bribery and corruption events, together with our internal audit departments. We perform internal audit periodically, where they review relevant agreements, invoices, reimbursement materials, etc., audit whether there are any suspicious transactions and whether internal approval procedures comply with our decision-making and approval process and financial system, and report to the management promptly if any unusual issues are identified. We have set up a whistle-blow mechanism that includes a report channel, investigation procedures and responding actions for detected problems. We make our internal reporting channel open and

available for our staff to report any bribery and corruption acts, and our staff can also make anonymous reports to our compliance and internal risk management department. Our compliance and internal risk management are responsible for investigating the reported incidents and taking appropriate measures. We conduct sufficient risk-based due diligence before hiring any third party and ensure that the hiring procedure is implemented fully in accordance with the anti-bribery and corruption policy. We also have regular trainings for employees regarding anti-bribery and corruption policy to facilitate better implementation. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any bribery incident by our employees in relation to all of our customers.

Investment risk management

Our investment strategy is to invest in or acquire businesses that are complementary to our business. We set up investment plans in line with our business strategies with inputs from various business departments.

We generally intend to hold our investments for the long term. In order to manage the potential risks associated with investments, we generally require our investee companies to grant us customary minority investor protective rights.

Our investment department is responsible for investment project sourcing, screening, execution and post-investment risk management. This department sources investment projects in accordance with our investment strategy and preliminarily assesses the risks and potential of the investment projects. We employ different levels of approval and due diligence mechanisms corresponding to the specific circumstances involved in an investment project.

In addition, our investment department is responsible for monitoring the performance of each investment on a regular basis. The department is also responsible for preparing analysis reports and providing recommendations on measures to reduce any risks involved in each investment project and must report to the head of the department and then to our investment committee if there is any material change to the financial position of an investment.

Audit committee experience and qualification and board oversight

We have established an audit committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee consists of three members, Mr. Zhang Saiyin, Mr. Lee Kar Chung Felix and Dr. Hong Weili, all of whom are independent non-executive Directors. Mr. Zhang Saiyin is the chairman of the audit committee. For the professional qualifications and experiences of the members of our audit committee, see the section headed "Directors and Senior Management" in this document.

We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee and senior management on any issues identified. Our internal audit department members are required to report to management to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the audit committee to ensure that any major issues identified are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the board of directors, if necessary.

Ongoing measures to monitor the implementation of risk management policies

Our audit committee, internal audit department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

Two-invoice system and national centralized procurement using a VBP approach

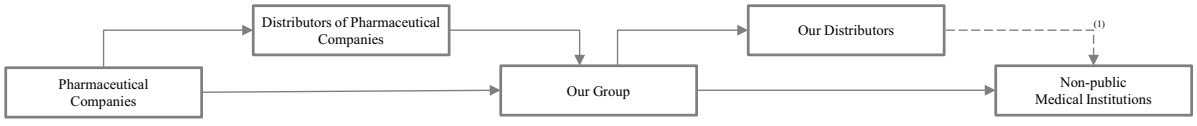
Currently, the "two-invoice system" in China is strictly implemented and followed for the sales of drugs to public medical institutions at a national level; however, a clear, nation-wide implementation of the "two-invoice system" for medical devices and other medical consumables has not been established, and the application of the policy for these products its application differs among provinces in China. In particular, "two-invoice system" for medical devices and consumables has not been implemented in some provinces, and in those provinces that have implemented it, some only apply to sales of high-value medical consumables to public medical institutions, while a limited number of provinces more generally regulate sales of medical consumables to public medical institutions. See "Regulations." During the Track Record Period and up to the Latest Practicable Date, the implementation of the "two-invoice system" had not affected our business and financial performance, because (i) in terms of drugs, based on our internal records and to our Directors' best knowledge, we did not directly or indirectly sell any drugs to public medical institutions, and therefore, the implementation of the "two-invoice system" at a national level did not have any impact on the our business. We do not intend to directly or indirectly sell drugs to public medical institutions considering China's current "two-invoice system" regulations, which may limit the prospect and potential of this portion of our business. In addition, under the "two-invoice system," public medical institutions are required to verify the invoice issuance information in the drug distribution chain to ensure compliance, and therefore, public medical institutions are prohibited from procuring drugs from our distributors. In particular, under the Notice on Issuing the Implementing Opinions on Promoting the "Two-invoice System" for the Drug Procurement by Public Medical Institutions (Trial), public medical institutions undertake the obligation to verify the consistency between invoices, goods and records before they store and use drugs. The verification not only involves invoices from their distributors, but also includes the copy of invoices issued by the manufactures, both of which are required to be incorporated into the financial records of such public medical institution and to act as the certificate of payment by public medical institutions. According to Frost & Sullivan, it is industry norm that public medical institutions in China verify the invoice issuance information to ensure the distribution processes for the drugs procured are in compliance with the "two-invoice system" requirements. As a result, public medical institutions should not be able to procure drugs from our distributors after one invoice has been issued from pharmaceutical manufacturers to us, and another invoice has been

issued from us to our distributors; (ii) in terms of medical devices and other medical consumable, according to Frost & Sullivan, provincial regulatory authorities in China implemented the "two-invoice system" with a focus on procurement of high-value medical consumables in public medical institutions. Our SKUs generally do not fall into this category, and as a result, our SKUs were generally not regulated under the "two-invoice system" at a provincial level; and (iii) there were only two provinces where we sold three non-high-value SKUs of medical consumables in 2020 and 2021 that were regulated under the "two-invoice system" at a provincial level. Revenues generated from the three SKUs in these two provinces accounted for approximately 0.01% of our total revenues in 2020 and the 2021. As such, during the Track Record Period the implementation of the "two-invoice system" did not have impact on 100% of our sales of pharmaceutical, 100% of our sales of medical devices and substantially all of our sales of medical consumables, except to the three SKUs in these two provinces. We were the sole party in the distribution chain for these three SKUs in 2020 and 2021, and therefore, this business was strictly in compliance with, and was not affected by, the implementation of the "two-invoice system". As such, the distributorship practice, including downstream sales and upstream purchases, was not affected by the implementation of the "two-invoice system" during the Track Record Period and up to the Latest Practicable Date. In the view of our PRC Legal Advisor, Tian Yuan Law Firm, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with the "two-invoice system" in all material respects. The following diagrams illustrates our distributorship model with details our purchases and sales practices during the Track Record Period:

Distribution Model for Pharmaceuticals

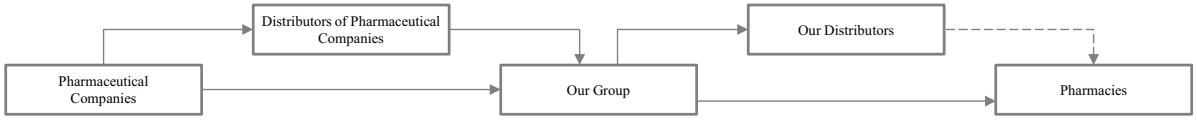
In-hospital Solution

We did not, and do not intend to, sell pharmaceuticals directly or indirectly to public hospitals; Sales of pharmaceuticals to non-public medical institutions are not regulated under the "two-invoice system"



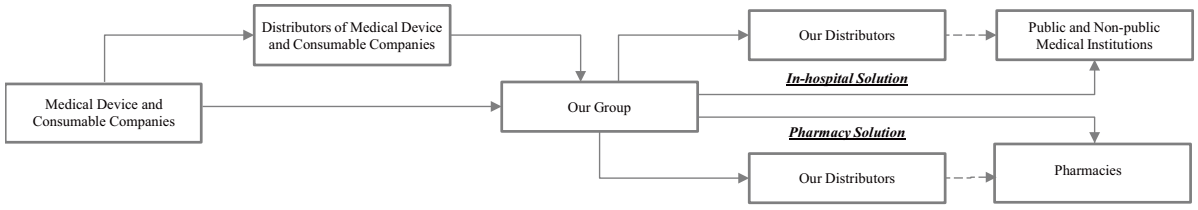
Pharmacy Solution

Sales of pharmaceuticals to pharmacies are not regulated under the "two-invoice system"



Distribution Model for Medical Devices and Consumables

Sales of Medical Devices and Consumables that Are Not Regulated Under the "Two-invoice System"(2)



Sales of Medical Devices and Consumables that Are Regulated Under the "Two-invoice System"(3)

We engage in sales of 3 SKUs of medical consumables in two provinces (~0.01% of our total revenues in 2020 and 2021)that are regulated under the "two-invoice system"

Notes:

1. We have taken measures to ensure strict compliance with the "two-invoice system" and have implemented stringent internal control procedures for distribution of pharmaceuticals. We will continue to closely monitor the application, enforcement and evolution of the "two-invoice system" to mitigate our risks of future potential non-compliance. See "Business — Risk management and internal control — Two-invoice system and national centralized procurement using a VBP approach."

2. According to Frost & Sullivan, provincial regulatory authorities in China implemented the "two-invoice system" with a focus on procurement of high-value medical consumables in public medical institutions. Our SKUs generally do not fall into this category, and as a result, our SKUs were generally not regulated under the "two-invoice system" at a provincial level.

3. There were only two provinces where we sold very limited number of non-high-value SKUs that were regulated under the "two-invoice system" at a provincial level. Revenues generated from the three SKUs in these two provinces accounted for approximately 0.01% of our total revenues in 2020 and the 2021. We were the direct distributor and the only distributor along in the distribution chain for these SKUs in these two provinces during the TRP, and therefore our business of this type was strictly in compliance with, and was not affected by, the implementation of the "two-invoice system."

We have taken steps to ensure strict compliance with the "two-invoice system" and will continue to closely monitor the application, enforcement and evolution of the two-invoice system to mitigate our risks of future potential non-compliance. In particular, we monitor the list of medical devices and medical consumables that are subject to the "two-invoice system" as published from time to time by each provincial authority. We regularly assess our distribution practice for each of our SKUs to ensure compliance. We also periodically provide training to members of our management team as well as our sales and marketing team to enhance their

knowledge about the latest laws and regulations in the healthcare and pharmaceutical industry. We require our sales and marketing team to promptly adjust the distributorship practice and relevant plans for our products based on the latest implementation status of the "two-invoice system" in different provinces. In addition, we require our distributors to be in compliance with applicable laws and regulations for the products procured from us. Any non-compliance activities conducted by distributors would entitle us to terminate the corresponding distribution agreements, and to claim compensation from them for losses caused by relevant breaches. We frequently communicate with our customers to ensure strict compliance with the "two-invoice system" by the relevant parties. During the Track Record Period, we were not aware of any non-compliance incidences with the "two-invoice system" by our distributors. We did not terminate any distributors during the Track Record Period due to their breach of distribution agreements or non-compliance incidents.

As of the Latest Practicable Date, our Directors confirm that we (i) had not been deemed to have violated or circumvented any national and/or local regulations, rules or policies in relation to the "two-invoice system", (ii) had not been subject to any administrative fines or penalties by the competent authorities in relation to the "two-invoice system", and (iii) had not received any warning or notice from any competent authorities in relation to the compliance with the "two-invoice system." However, we cannot guarantee our distributors will be in full compliance with "two-invoice system," as we have limited control over our distributors and are not able to fully restrict their further dealings with sub-distributors or end-costumers. Our PRC Legal Advisor, Tian Yuan Law Firm, has advised us that any of our distributor's non-compliance with the "two-invoice system" will not cause us, as a supplier to such distributors, to be legally responsible for any liabilities under the "two-invoice system" because the relevant laws and regulations impose no direct liabilities on enterprises whose distributors are not in compliance the "two-invoice system". However, any non-compliance incidents by our distributors may nevertheless adversely affect our reputation, divert the attention of our management from our operations and further cause adverse impact on our business and operation results.

The national centralized procurement process using a VBP approach has been implemented for sales of drugs and high-value medical consumables to public medical institutions. As such, the national centralized procurement process using a VBP approach did not have any impact on our business during the Track Record Period.

We believe, based on (i) the historical and current focus on high-value medical devices and consumables for the implementation of the "two-invoice system" and the national centralized procurement process using a VBP approach by provincial authorities, and (ii) the policy aims of the "two-invoice system" and the national centralized procurement process using a VBP approach to regulate high-value medical devices and consumables, it is less likely that the non-high-value medical devices and other medical consumables and pharmaceuticals that we sell will be subject to the "two-invoice system" in the near future.

Going forward, we cannot assure you that future laws and regulations, particularly the potential expansion of the scope of products covered by the two-invoice system and the national centralized procurement using a VBP approach, would not render our business non-compliant, or that as we continue to grow and expand our business, we would always be in full compliance with the applicable laws and regulations relating thereto. For example, if the two-invoice system and/or the national centralized procurement using a VBP approach becomes widely adopted and implemented, including but not limited to the potential expansion of lists of medical devices and consumables regulated by certain provincial authorities under the two-invoice system and the potential expansion of the scope covered by the national centralized procurement using a VBP approach, our sales of the relevant products may be affected, and our revenue and profitability may suffer as a result. In addition, considering the current two-invoice system and the national centralized procurement using a VBP approach that regulate the sale of drugs to public medical institutions, we do not intend to sell drugs, directly or indirectly, to public medical institutions, and as such, our distributors cannot sell drugs procured from us to public medical institutions. Therefore, the implementation of the two-invoice system and the national centralized procurement using a VBP approach may cause us to lose business opportunities and limit the prospect and potential of our business. Furthermore, we cannot guarantee that our distributors will remain in full compliance with the two-invoice system and the national centralized procurement using a VBP approach as we have limited control over our distributors and are not able to direct their dealings with sub-distributors or end-costumers. Any of our distributor's non-compliance with the two-invoice system and/or the national centralized procurement using a VBP approach may adversely affect our reputation, divert the attention of our management from our operations and adversely affect our business and results of operations.

Please refer to "Risk Factors — Risks Related to Our Business and Industry — 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" for details.

LEGAL PROCEEDINGS AND NON-COMPLIANCES

We are not currently a party to any legal or administrative proceedings that we believe to be material to our business or financial condition. From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, including patent, commercial, professional liability, product liability, employment, class action, and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. In addition, third parties may from time to time assert claims against us in the form of letters and other communications. The results of any future litigation or administrative proceeding cannot be predicted with certainty, and regardless of the outcome, litigation and administrative proceedings can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

On February 5, 2021, March 15, 2021 and April 16, 2021, two different versions (5.6.5 on OPPO App Store and 5.7.0 on Huawei App Store) of our app *Cloudr. Health* ("智雲健康") were examined and criticized by the MIIT or local administration. Version 5.6.5 of the app was criticized for way in which it requested permissions from users; Version 5.7.0 of the app was first criticized for the way in which it collected and using personal information and for the way in which it collected user consents and pushing targeted content. The three incidents were rectified through version updates within the time limit set by the relevant authorities. In the view of our PRC Legal Advisor, these issues were minor breaches of applicable regulations and they have both been rectified within the designated time limit and had no significant adverse impact on our business operation and financial performance.

In the view of Tian Yuan Law Firm, our PRC Legal Advisor, as of the Latest Practicable Date, our internet-based consultation and prescription services and the sales of prescribed drugs is in compliance in material respect with relevant PRC laws and regulations. The basis of our PRC Legal Advisor's view may only includes, but is not limited to: (i) according to Measures for the Administration of Internet Diagnosis and Treatment (for Trial Implementation) (互聯網診療管理辦法(試行)), a medical institution shall carry out its internet diagnosis and treatment activities consistent with its offline diagnostic and treatment categories, which is consistent with the practice of our app; (ii) according to Administration of Internet Diagnosis and Treatment (for Trial Implementation), Internet diagnosis and treatment activities are not permitted for any patient receiving an initial diagnosis. Accordingly, we require patients to upload their previously issued prescription before obtaining consultation services requiring prescriptions from us; (iii) according to the Measures for the Administration of Prescriptions (處方管理辦法), medical practitioners on Internet hospitals are not allowed to prescribe unless they have completed the multi-site practice filing with competent authorities. We require all doctors issuing prescriptions on our platform to obtain such registrations; and (iv) according to the Measures for the Administration of Prescriptions, prescriptions are effective only on the date of prescription, when an extension is required under special circumstances, the prescription physician must indicate the effective period, which may not exceed 3 days. Prescriptions issued on our platform contain time stamps to comply with this requirement. However, we are unable to ensure that the sale of prescribed drugs by third party pharmacies through our platform is and will continue to be in full compliance with the relevant laws and regulations or any new laws and regulations that may be promulgated in the future. See "Risk Factors — Risks Related to Our Business and Industry — The sale of prescription drugs is subject to stringent scrutiny, which may expose us to risks and challenges."

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

LICENSE, PERMITS AND APPROVALS

Awards

List of Awards

Time	Event Name	Organized and Co-organized by	Awards
6/17/2020	Hurun China Mountain Goats 2020	Hurun Institute	Hurun China Mountain Goats 2020
6/29/2020	4th All Things Growth Conference	Hangzhou Municipal People's Government, China Investment Development Promotion Association	2020 Hangzhou Quasi-unicorn Enterprise
7/30/2020	2020 China (Tianjin) High Growth Enterprise Development Forum	Tianjin Municipal Science and Technology Bureau and Great Wall Strategy Consulting	Great Wall Strategy Consulting 2019 China Unicorns
10/10/2020	Tianfu Health Talk — CHS 2020 5th China Healthcare Industry Upgrade Summit	Directed by China Health Information and Healthcare Big Data Society and Sichuan Provincial Healthcare Commission; co-sponsored by China Health Information and Healthcare Big Data Society, Committee of Medicine and Health Management and EqualOcean	2020 China Healthcare Industry Innovation Award — Best Health Management Innovation Enterprise
10/30/2020	2020 Best Anti-Covid-19 Private Employers	Hurun Baifu, Baifu Tianqi and 51Job	2020 Best Anti-Covid-19 Private Employers
12/13/2020	2020 China Health New Force Development Summit	Directed by People's Daily, Wuxi Municipal People's Government, co-sponsored by People's Health, Wuxi Municipal Bureau of Science and Technology and Wuxi National Hi-Tech Industrial Development Zone	2020 China Healthcare New Force Businesses
12/26/2020	2020 China International Smart Hospital Expo	Directed by the National Healthcare Commission, the National Development and Reform Commission, and organized by China Hospital Association and China Physicians Association	2020 China Smart Hospital Top 10 Brand Creative Innovation Award

Licenses and Permits

Throughout the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations in China.

No	Holder	Name of the License	Expiration Date	Description of the License
1	91health Shanghai	Medical Device Operation License	July 26, 2023	License for operation of Class III medical device
2	91health Shanghai	Class II Medical Device Operation Filing Record	N/A	Filing requirement for operation of Class II medical device
3	Hangzhou Kangming Information Technology Co., Ltd.	Value-added Telecommunication Business License	June 10, 2026	License for providing internet resource collaborative services
4	Hangzhou Kangming Information Technology Co., Ltd.	Online Drug Information Offering License	April 20, 2026	License for providing drugs information on the internet
5	Hangzhou Kangsheng Health Management Consultant Co., Ltd.	Medical Device Operation License	September 2, 2025	License for operation of medical device
6	Hangzhou Kangsheng Health Management Consultant Co., Ltd.	Class II Medical Device Operation Filing Record	N/A	Filing requirement for operation of Class II medical device
7	Hangzhou Kangsheng Health Management Consultant Co., Ltd.	Pharmaceutical Operation License	October 24, 2023	License for operation of pharmaceutical wholesale
8	Hangzhou Kangsheng Health Management Consultant Co., Ltd.	Certificate of Good Operation Practice for Pharmaceutical Products	October 24, 2023	Certificate for good practice for pharmaceutical operation
9	Hangzhou Kangsheng Health Management Consultant Co., Ltd.	Food Operation License	May 30, 2022	License for food operation business
10	Zhiyun Hongji (Shanghai) Medical Technology Co., Ltd.	Medical Device Operation License	July 15, 2025	License for operation of Class III medical device

No	Holder	Name of the License	Expiration Date	Description of the License
11 . . .	Zhiyun Hongji (Shanghai) Medical Technology Co., Ltd.	Class II Medical Device Operation Filing Record	N/A	Filing requirement for operation of Class II medical device
12 . . .	Yinchuan Zhiyun Internet Hospital *	Medical Institution Practice License	January 6, 2025	License for general practice of medical institution
13 . . .	Hainan Zhiyun Internet Hospital *	Medical Institution Practice License	May 8, 2025	License for general practice of medical institution
14 . . .	Hainan Zhiyun Internet Hospital Co., Ltd.*	Online Drug Information Offering License	December 27, 2025	License for providing drugs information on the internet
15 . . .	Hainan Zhiyun Telemedicine Center	Medical Institution Practice License	May 8, 2025	License for general practice of medical institution
16 . . .	Hangzhou Zhiyun Qikang Biomedical Co., Ltd.	Pharmaceutical Operation License	March 31, 2026	License for operation of pharmaceutical wholesale
17 . . .	Hangzhou Zhiyun Qikang Biomedical Co., Ltd.	Medical Device Operation License	February 2, 2026	License for operation of Class III medical device
18 . . .	Hangzhou Zhiyun Qikang Biomedical Co., Ltd.	Class II Medical Device Operation Filing Record	N/A	Filing requirement for operation of Class II medical device
19 . . .	Jiangsu Xinwange Medical Technology Co., Ltd.	Medical Device Operation License	March 31, 2025	License for operation of Class III medical device
20 . . .	Jiangsu Xinwange Medical Technology Co., Ltd.	Class II Medical Device Operation Filing Record	N/A	Filing requirement for operation of Class II medical device
21 . . .	Yinbang Insurance Brokers Co., Ltd.	Operating Insurance Brokerage Business License	August 13, 2023	License for providing insurance brokerage business
22 . . .	Zhejiang Qilian Pharmaceutical Co., Ltd.	Pharmaceutical Operation License	July 9, 2024	License for operation of pharmaceutical wholesale
23 . . .	Zhejiang Qilian Pharmaceutical Co., Ltd.	Medical Device Operation License	May 9, 2024	License for operation of Class III medical device

No	Holder	Name of the License	Expiration Date	Description of the License
24 . . .	Zhejiang Qilian Pharmaceutical Co., Ltd.	Class II Medical Device Operation Filing Record	N/A	Filing requirement for operation of Class II medical device
25 . . .	Zhejiang Qilian Pharmaceutical Co., Ltd.	Food Operation License	May 6, 2025	License for food operation business
26 . . .	Zhejiang Qilian Pharmaceutical Co., Ltd.	Certificate of Good Operation Practice for Pharmaceutical Products	July 9, 2024	Certificate for good practice for pharmaceutical operation
27 . . .	Yinchuan Zhiyun Internet Hospital* Co., Ltd.	Online Drug Information Offering License	August 2, 2026	License for providing drugs information on the internet
28 . . .	Hangzhou Kangming Information Technology Co., Ltd.	Filing Record of Third-party Platform for Medical Device Network Trading Services	N/A	Filing requirement for third-party platform for medical device network trading services
29 . . .	Yinchuan Zhiyun Internet Hospital Co., Ltd.	Value-added Telecommunications Business License	November 30, 2026	License for providing internet resource services
30 . . .	Yinchuan Zhiyun Internet Hospital Co., Ltd.	Class II Medical Device Operation Filing Record	N/A	Filing requirement for operation of Class II medical device
31 . . .	Hangzhou Kangming Information Technology Co., Ltd.	Third-Party Platform Filing Certificate for Online Sales Service of Medical Devices	N/A	License for operation of medical devices online
32 . . .	Chengdu Zhiyun Internet Hospital	Medical Institution Practice License	September 1, 2031	License for general practice of medical institution

* *note:* The internet hospitals are the entities whose Medical Institution Practice Licenses allow us to conduct our online consultation and prescription services. According to the applicable PRC laws and regulations, an internet hospital should be supported by an offline medical institution. See "Regulatory Overview — Regulations Relating to the Online Medical Services — Internet Medical Services" for details. Our internet hospitals are supported by three respective offline medical institutions, namely Ningxia Xiang'an Hospital, Hainan Zhiyun Telemedicine Center, and the People's Hospital of Wenjiang District of Chengdu. Among them, Hainan Zhiyun Telemedicine Center is our self-owned offline medical institution. The other two offline medical institutions are independent third parties of us. In addition, historically we acquired an offline medical institution, which historically offered limited offline diagnosis services and was later divested by us. We established the offline medical institution, namely Hainan Zhiyun Telemedicine Center, in order to meet the license requirements for setting up our corresponding internet hospital (i.e., Hainan Zhiyun Internet Hospital) as the supporting offline medical institution. Hainan Zhiyun Telemedicine Center did not provide any services to patients during the Track Record Period, which is industry norm for this type of supporting offline medical institutions established by internet hospital operators, according to Frost & Sullivan. With our three Medical Institution Practice Licenses held by three internet hospitals, we provide online medical services on an integrated basis to patients across China through our online applications including *ClouDr. Health* and *ClouDr. Pharmacy*. As of the Latest Practicable Date, we had over 94,000 registered doctors on our platform. There were 8 doctors that worked for us on a full-time basis and were registered with our medical institution as their principal practicing sites. In addition, there were over 14,800 doctors that worked for us on a part-time basis who had completed the multi-sites registration under our internet hospitals that can issue prescriptions on our platform. The rest of our registered doctors had not completed the multi-sites registration and had not conducted diagnosis and treatment or issued any prescriptions as of the same date. These doctors can act as supporting doctors and provide online pre-consultation and pre-diagnosis services, such as online triage, and review and cross-check issued prescriptions as part of our risk control procedures. As of the Latest Practicable Date, we had paid a total of 1,738 such supporting doctors for their services on our platform, as of the same date. Under applicable laws and regulations, our part-time doctors are allowed to provide diagnosis and treatment and prescribe medications on our internet hospitals when he or she has registered under a medical institution as his or her principal practicing site and have completed their multi-sites registration under our internet hospitals with competent medical authorities. In addition, under applicable laws and regulations, our part-time doctors are allowed to provide medical consultation services on our online platform without conducting the multi-sites registration, if such doctors don't conduct diagnosis and treatment or issue prescriptions. Since the doctors of our online medical institutions who are required to complete their multi-sites registration under the PRC laws and regulations have completed such registration, no issues are expected to be caused in respect of their practicing activities and licenses. In the view of our PRC Legal Advisor, Tian Yuan Law Firm, during the Track Record Period and up to the Latest Practicable Date, our internet-based consultation and prescription services were in compliance with applicable laws and regulations in all material aspects. Our online consultation and prescription services focus on chronic condition management, which requires long-term treatment, the re-filling of prescriptions and condition management. According to "Long-term Prescription Management Standard (Trial)" issued by the NHC and NHSA in 2021, the prescription amount for long-term prescriptions should be no longer than 4 weeks, which amount can be no longer than 12 weeks chronic disease patients with stable conditions. As such, each chronic patient with the demand for long-term prescriptions need to gain prescriptions at least 4 times each year. Our online consultation and prescription services provide patients with convenient, efficient and comprehensive online consultation and prescription fulfilling experience and well as a "anytime, anywhere" healthcare management platform, which we believe can address long-term medical needs of chronic disease patients. See "— Our Individual Chronic Condition Management Solution for Individual Users" for details. During the Track Record Period and as of December 31, 2021, only one of our offline medical institutions had generated revenue from its offering offline diagnosis services, which is negligible compared to our revenues. Our internet hospitals are part of our infrastructure to support our online applications operating such as *ClouDr. Health and ClouDr. Pharmacy* in compliance with applicable PRC laws and regulations. During the Track Record Period, we provided the online consultation and prescription services through our online applications, recognized the corresponding revenues, costs and expenses at the companies operating our online applications and did not

allocate revenues, costs and expenses among internet hospital institutions. As of the date of this document, we have divested the one offline medical institution that generated revenue for business reasons as part of our efforts to streamline our business operations to focus on online medical services. We believe this divestment had no material impacts on our business operations and financial performances, considering that (i) our ability to continue carry on our online medical services with the other three licenses, and (ii) the negligible revenues generated by the divested entity during the Track Record Period. During the Track Record Period, the revenues, costs and expenses from the offline diagnosis services of the divested medical institution were allocated to this divested company.

BACKGROUND

We currently conduct our value-added telecommunication services (through our doctor app, *ClouDr. Doctor*, and patient app, *ClouDr. Health)*, internet hospitals and offline medical institution services and insurance brokerage services (the "**Relevant Businesses**") through our Consolidated Affiliated Entities in the PRC as the PRC laws, or their implementation by relevant government authorities, generally prohibit or restrict foreign ownership, or impose certain qualification requirements on foreign investors, in the Relevant Businesses. Currently, the PRC laws restrict foreign ownership of value-added telecommunications service providers (in addition to imposing a qualification requirement on the foreign owners) and of medical institutions and internet hospitals.

As a result of the restrictions imposed by the PRC laws, our Company is unable to own or hold the entire direct equity interest in our Consolidated Affiliated Entities. Accordingly, the term 'ownership' or the relevant concept, as applied to our Company in this document, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any equity interest in our Consolidated Affiliated Entities. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our Consolidated Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimise the potential for conflict with relevant PRC laws.

In order to facilitate the reorganisation and as further detailed in "History, corporate structure, and reorganisation — Reorganisation — Contractual Arrangements", Hangzhou Kangming executed a set of agreements constituting the Contractual Arrangement on June 16, 2021, pursuant to which it agreed to be bound by the terms and conditions of the Contractual Arrangements.

PRC LAWS RESTRICTING FOREIGN OWNERSHIP OF THE RELEVANT BUSINESSES

Value-added telecommunication services

Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (外商投資准入特別管理措施(負面清單) (2021)) (the "**Negative List**") which came into effect on January 1, 2022, provision of value-added telecommunications services falls within the 'restricted' category. As such, the ultimate shareholding percentage of a foreign investor in companies engaged in value-added telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%. Moreover, pursuant to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), a provider of 'operational internet information services' (namely services involving the provision of information or website-design services through the internet to

internet-users for a fee) is required to obtain an ICP license. See "Regulatory Overview — Regulation on Foreign Investment" for details of limitations on foreign ownership in PRC companies conducting value-added telecommunications services.

Since our value-added telecommunication services involve the operation of internet information services, and online data processing and transaction processing service, which are a sub-categories of valued-added telecommunications business, for which an value-added telecommunication services licence is required, our value-added telecommunication services are subject to foreign ownership restrictions. Therefore, our internet information services are conducted by, and value-added telecommunication licence is held by Hangzhou Kangming.

With the assistance of our PRC Legal Adviser, we consulted a division chief of the Communication Development Bureau of the MIIT on July 29, 2021, being an official who is competent to represent the Communication Development Bureau of the MIIT, which is a competent authority as advised by our PRC Legal Adviser to confirm the matters relating to the Contractual Arrangements and our value-added telecommunication licence. We were advised that:

(i) foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services;

(ii) our internet information businesses and online data processing and transaction processing service are value-added telecommunications businesses and are required to hold value-added telecommunication license;

(iii) the application by any foreign invested company for value-added telecommunication service licence is subject to thorough substantive examination and discretion by the MIIT, on a case-by-case basis when examining the applications, the compliance with foreign investment restrictions on the applicant's businesses in its entirety would be considered and act as a principle in reviewing such application, therefore, the Company will not be able to obtain a value-added telecommunication service license as a foreign-invested company; and

(iv) us entering into the Contractual Arrangements is not subject to approval or regulation from the MIIT.

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, Tian Yuan Law Firm, 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."

Internet hospitals and offline medical institution services

Pursuant to the Negative List, provision of internet hospitals and offline medical institution services falls within the 'restricted' category. Also, according to Provisional Measures for the Administration of Medical Institutions in the Form of Sino-foreign Equity or Contractual Joint Venture (中外合資、合作醫療機構管理暫行辦法) issued by the Ministry of Health and Ministry of Foreign Trade and Economic Cooperation in May 2000, subject to any regional restriction, the shareholding percentage of a foreign investor in medical institution services shall not exceed 70%, and such restriction also applies to internet hospitals. With assistance of our PRC Legal Adviser, we consulted a division chief of the Medical Authority and Management Bureau of the National Health Commission on June 9, 2021, being an official who is competent to represent the Medical Authority and Management Bureau of the National Health Commission, which is a competent authority as advised by our PRC Legal Adviser, and were advised that the shareholding percentage of a foreign investor in medical institution services shall not exceed 70% but that percentage may differ among provinces and our entering into the Contractual Arrangements is not in violation of applicable laws and regulation, and is not subject to approval from the National Health Commission. With assistance of our PRC Legal Adviser, we consulted an officer, who is competent and capable of representing the authority of the Yinchuan Approval Service Administration (銀川市審批服務管理局), being a competent authority as advised by our PRC Legal Adviser on June 7, 2021 to confirm the matters relating to restriction on foreign ownership in internet hospitals in Yinchuan and were advised that they have not accepted or approved any application for foreign-invested internet hospital before and therefore foreign investors cannot hold any equity interest in Yinchuan Zhiyun Internet Hospital. On the other hand, according to Sichuan Measures for the Administration of Sino-Foreign Equity/Cooperative Joint Venture Medical Institutions (四川省中外合資、合作醫療機構管理辦法), foreign investor may hold at most 90% equity interest in a joint venture medical institution in Sichuan Province.

Currently, our Group's internet hospitals are operated in accordance with above-mentioned restrictions, namely: i) Yinchuan Zhiyun Internet Hospital is operated under the Contractual Arrangements, ii) 70% of equity interests in Tianjin Zhiyun Comprehensive Clinic Co., Ltd. (天津智雲綜合門診有限公司) are held by our Company and the rest 30% are held by Consolidated Affiliated Entities, iii) our Company holds 60% of equity interests in Hainan Youyi Technology Co., Ltd (海南優醫科技有限公司), which acts as a holding company of medical institution and respectively holds 100% of equity interests in both Hainan Zhiyun Internet Hospital Co., Ltd (海南智雲互聯網醫院有限公司) and Hainan Zhiyun Distance Medical Center Co., Ltd. (海南智雲遠程醫療中心有限公司), and iv) our Company holds 90% of equity interests in Chengdu Zhiyun Internet Hospital and the other 10% are held by Consolidated Affiliated Entities.

Insurance brokerage services

Although there is no explicit restriction on insurance brokerage industry in the Negative List, according to the Service Guide on the Approval of the Establishment of Insurance Brokerage (《保險經紀機構設立審批事項服務指南》) (the "**Service Guide**") issued on August 31, 2019 by the China Banking and Insurance Regulatory Commission, when foreign investors hold 25% or more (directly or indirectly, on a cumulative basis) of the equity interest of an insurance brokerage company, such company would be deemed as a foreigner-invested insurance broker, and foreign-invested insurance brokers are required to obtain a foreign-invested insurance brokerage license. Furthermore, foreign investor of the foreign invested insurance broker shall be a foreign insurance intermediary company with more than 30 years of experience since incorporation in a member country of the World Trade Organisation and has over US$200 million worth of total asset as at the year ended immediately precedent to the making of an application for investing in the relevant insurance broker in the PRC.

With the assistance of our PRC Legal Adviser, we consulted a division chief of Insurance Intermediary Supervision Department of the China Banking and Insurance Regulatory Commission on June 7, 2021, being an official who is competent to represent the Insurance Intermediary Supervision Department of the China Banking and Insurance Regulatory Commission, which is a competent authority as advised by our PRC Legal Adviser to confirm the matters relating to foreign investment in insurance brokerage industry and qualification requirements, and we were advised that even if a foreign investor of the foreign-invested insurance broker has met the aforementioned qualification requirements, it will not be able to obtain a foreign-invested insurance brokerage license.

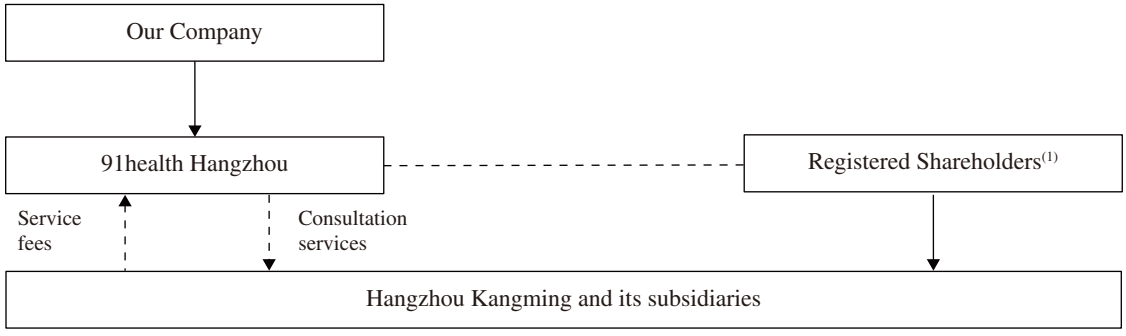
As a result, we operate our insurance brokerage services through one of our Consolidated Affiliated Entitles, Yinbang Insurance Brokerage.

Circumstances in which we will unwind the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the Relevant Businesses, to the extent permissible, and we will directly hold the maximum percentage of ownership interest permissible under the relevant PRC laws if the relevant government authority grants relevant licenses to the foreign-invested entities currently held and to be established by our Company. In this event 91health Hangzhou will exercise its rights under the Exclusive Purchase Option Agreement to unwind and terminate the Contractual Arrangements to the extent permissible and we will directly operate the Relevant Businesses without using the Contractual Arrangements.

CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group under the Contractual Arrangements:



Notes:

(1) Hangzhou Kangming is held as to 99.2% and 0.8% by Mr. Kuang and Ms. Hu Yue, head of human resources of our Group, respectively.

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

(3) "--->" denotes contractual relationship.

(4) "----" denotes the control by 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.

Summary of the material terms of the Contractual Arrangements

Exclusive Consulting Services Agreement

91health Hangzhou and Hangzhou Kangming entered into an exclusive consulting services agreement on June 16, 2021 and subsequently restated and amended on October 11, 2021 (the "**Exclusive Consulting Services Agreement**"), pursuant to which Hangzhou Kangming agreed to engage 91health Hangzhou as the exclusive provider to Hangzhou Kangming and its subsidiaries of technical consultancy, technical support, and other services which may include:

(i) provision of advices on business management;

(ii) provision of advices on IT system and other technical support;

(iii) provision of business development; marketing and promotion;

(iv) provision of development, maintenance and upgrade of software and IT system;

(v) provision of human resources support;

(vi) provision of leasing services to equipment; and

(vii) other services requested from time to time.

Without 91health Hangzhou's prior written consent, Hangzhou Kangming shall not, and shall procure its subsidiaries not to, receive services which are identical or similar to the services covered by the Exclusive Consulting Services Agreements from any third party.

In consideration of the services provided by 91health Hangzhou, Hangzhou Kangming shall pay to 91health Hangzhou services fees which is determined by 91health Hangzhou by taking into account such factors as (a) the complexity and difficulty of the services involved, (b) the time taken for the services, (c) the scope of service and its commercial value, and (d) the market reference price for services of similar kinds, and (e) the operation status of Hangzhou Kangming. The service fees shall be paid to 91health Hangzhou by Hangzhou Kangming on such time as agreed by both parties.

91health Hangzhou has the exclusive and proprietary rights and interest to all intellectual properties, in irrespective of being developed by Hangzhou Kangming or by 91health Hangzhou. Without the prior written consent of 91health Hangzhou, Hangzhou Kangming shall not, and shall procure its subsidiaries not to, transfer, assign, pledge, or by any other means dispose of any of such intellectual properties.

The Exclusive Consulting Services Agreement shall remain effective until, among others, the date on which 91health Hangzhou or the party designated by 91health Hangzhou is formally registered as the shareholder of Hangzhou Kangming, in the case where 91health Hangzhou is permitted by the PRC laws to directly hold the shares of Hangzhou Kangming and 91health Hangzhou and its subsidiaries and affiliates are allowed to engage in the Relevant Businesses being currently operated by Hangzhou Kangming.

Exclusive Purchase Option Agreements

(i) 91health Hangzhou, Hangzhou Kangming and the Registered Shareholders entered into an exclusive purchase option agreement on June 16, 2021 subsequently restated and amended on October 11, 2021 and (ii) each of Yinchuan Zhiyun Internet Hospital, Chengdu Zhiyun Internet Hospital, Tianjin Zhiyun and Yinbang Insurance Brokerage entered into an exclusive purchase option agreement with 91health Hangzhou and Hangzhou Kangming on March 1, 2022 (each a "**Exclusive Purchase Option Agreement**" and collectively the "**Exclusive Purchase Option Agreements**"), pursuant to which 91health Hangzhou, or its offshore parent company or its directly or indirectly owned subsidiaries was granted an irrevocable and exclusive right by the Registered Shareholders and Hangzhou Kangming to purchase from each of the Registered Shareholders and Hangzhou Kangming all or any part of their respective equity interest in the Consolidated Affiliated Entities and to require the Consolidated Affiliated Entities to transfer any or of its assets to 91health Hangzhou, or its offshore parent company or its directly or indirectly owned subsidiaries.

The Registered Shareholders and Hangzhou Kangming irrevocably covenanted that unless with prior written consent by 91health Hangzhou, the Registered Shareholders and Hangzhou Kangming shall not sell, transfer, pledge, or otherwise dispose of all or any part of its equity interest in the Consolidated Affiliated Entities.

The purchase price payable by 91health Hangzhou or its designee in respect of the transfer of the entire equity interest and/or the total assets of the Consolidated Affiliated Entities shall be RMB24,000,000, which is equivalent to the principal loan amount under the Loan Agreement (such purchase price may be proportionally adjusted where only part of such interest is purchased), or

the minimum price required by competent PRC authorities under PRC laws where such minimum price is above RMB24,000,000 and the Registered Shareholders shall return the purchase price in full to 91health Hangzhou or its designee.

The Exclusive Purchase Option Agreements shall remain effective until, among others, all the equity interest in and/or all assets of the Consolidated Affiliated Entities has been transferred to 91health Hangzhou and/or its designee, and registration has been completed for the change of members.

The Consolidated Affiliated Entities and the Registered Shareholders, among other things, have covenanted that:

(i) without 91health Hangzhou's prior written consent, they shall not amend the business scope or articles of association of the respective Consolidated Affiliated Entities, or change its registered capital or capital structure in any way;

(ii) they shall maintain the Consolidated Affiliated Entities' corporate existence and operate its business and handle its affairs prudently and efficiently, and shall not cause the Consolidated Affiliated Entities to be subject to liquidation, wind-down, termination or dissolution;

(iii) without 91health Hangzhou's prior written consent, they shall not sell, transfer, grant, pledge or otherwise dispose, or procure the management to sell, transfer, grant, pledge or otherwise dispose, legal or beneficial interest in any asset (be it tangible or intangible), business or revenues of the Consolidated Affiliated Entities stated in the most recent audited financial statements;

(iv) they shall not terminate or procure the management to terminate any Contractual Arrangements executed by the Consolidated Affiliated Entities, or execute any agreements that conflict with the Contractual Arrangements;

(v) they shall not incur or allow the Consolidated Affiliated Entities to incur any debts that exceed 15% of the Consolidated Affiliated Entities' total assets as stated in its most recent audited financial statements, other than: (i) debt incurred in the ordinary and normal course of business; and (ii) debt that is disclosed and agreed to by 91health Hangzhou in writing;

(vi) they shall maintain the ordinary business operations of the Consolidated Affiliated Entities so as to maintain the value of the assets of the Consolidated Affiliated Entities, and shall not take any action or omission which could have an adverse effect upon its business operation or asset value;

(vii) they shall obtain 91health Hangzhou's prior written consent before the Consolidated Affiliated Entities enters into any material contract (a contract, for the purpose of this paragraph, is material if the transaction amount in relation thereto exceeds 15% of the net profit of the Consolidated Affiliated Entities as stated in its most recent financial statements) other than contracts entered into in the ordinary and normal course of business;

(viii) subject to applicable Laws, the Consolidated Affiliated Entities shall not provide any loans or securities that exceed 15% of the Consolidated Affiliated Entities' total assets as stated in its most recent audited financial statements to any person without 91health Hangzhou's prior written consent;

(ix) 91health Hangzhou may require the Consolidated Affiliated Entities to provide to 91health Hangzhou all information relating to operation and financial status of the Consolidated Affiliated Entities from time to time, or otherwise the same is required to be provided to 91health Hangzhou within 10 days of the end of each quarter;

(x) at the request of 91health Hangzhou, they shall each purchase and maintain insurance for the assets and business of the Consolidated Affiliated Entities from an insurance company in line with the requirements of 91health Hangzhou;

(xi) without 91health Hangzhou's prior written consent, they shall not procure or consent the Consolidated Affiliated Entities to divest, or merge or form a joint venture with any entities, or acquire any entities or be acquired by any person or entities, or make investment in any entities;

(xii) they shall immediately notify 91health Hangzhou and take all necessary actions pursuant to the reasonable requirements of 91health Hangzhou when there are lawsuits, arbitrations or administrative procedures which will occur or may occur relating to the assets, business and revenues of the Consolidated Affiliated Entities;

(xiii) they shall execute all necessary or proper documents, take all necessary or proper actions, propose all necessary or proper claims, or conduct all necessary and proper defense against all claims of indemnifications;

(xiv) without 91health Hangzhou's prior written consent, the Consolidated Affiliated Entities shall not pay any bonuses and/or dividends. The Consolidated Affiliated Entities shall allocate the earnings generated from the shares to the Registered Shareholders immediately upon 91health Hangzhou's demand;

The Registered Shareholders and Hangzhou Kangming, among other things, have further covenanted that:

(i) without 91health Hangzhou's prior written consent, they shall not sell, transfer, pledge or dispose legal or beneficial interest in the Consolidated Affiliated Entities, or impose any encumbrances on such rights and interests, other than creation of the pledge, delegation and exclusive purchase option of the Consolidated Affiliated Entities shares pursuant to the Contractual Arrangements;

(ii) shall not engage in any business operation or conduct in any manner which may impose an adverse impact on the reputation of the Consolidated Affiliated Entities;

(iii) without 91health Hangzhou's prior written consent, they shall not vote for or support, or execute any resolution at shareholders' meetings of the respective Consolidated Affiliated Entities to approve the sale, transfer, pledge, or disposal of legal or beneficial interest of any shares or assets, or allow creation of any encumbrances thereon, other than to 91health Hangzhou or its designated persons;

(iv) without 91health Hangzhou's prior written consent, they shall not vote for or support, or execute any resolution at shareholders' meetings of the respective Consolidated Affiliated Entities to approve a merger, or consolidation, or acquisition by any person, or divestment of the respective Consolidated Affiliated Entities, or change in registered capital or its corporate status;

(v) the Registered Shareholders and Hangzhou Kangming shall not instruct the Consolidated Affiliated Entities to pay any dividends or bonus or to convene a shareholders' meeting in relation thereto, or to vote in favour of such matter at such meeting;

(vi) without 91health Hangzhou's prior written consent, they shall not appoint or replace any directors, supervisors, or any managers of the Consolidated Affiliated Entities who shall be appointed by Registered Shareholders or Hangzhou Kangming, and once requested by 91health Hangzhou, they shall appoint or hire the Person designated by 91health Hangzhou immediately to be the directors and senior executives of the Consolidated Affiliated Entities; and

(vii) they shall abide strictly by the Contractual Arrangement, perform the obligations under such agreements effectively, and not take any actions or omissions which may adversely affect the validity and enforceability of such agreements.

Equity Pledge Agreements

(i) 91health Hangzhou, Hangzhou Kangming and the then Registered Shareholders entered into an equity pledge agreement on June 16, 2021 and subsequently restated and amended on October 11, 2021 and (ii) each of Yinchuan Zhiyun Internet Hospital, Chengdu Zhiyun Internet Hospital, Tianjin Zhiyun and Yinbang Insurance Brokerage entered into an equity pledge agreement with 91health Hangzhou and Hangzhou Kangming on March 1, 2022 (each a "**Equity Pledge Agreement**" and collectively the "**Equity Pledge Agreements**"), pursuant to which, the then Registered Shareholders and Hangzhou Kangming pledged all of their respective equity interests in the Consolidated Affiliated Entities to 91health Hangzhou as collateral security to guarantee performance of their contractual obligations under the Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the Contractual Arrangements.

Among others things, the Registered Shareholders and Hangzhou Kangming have warranted and undertaken that without 91health Hangzhou's prior written consent, they shall not, or allow all any other part(ies), transfer or otherwise dispose of the pledged shares, or allow creation of any encumbrances thereon.

Upon the occurrence of an event of default (as defined in the Equity Pledge Agreement), 91health Hangzhou may, at any time thereafter, serve a Default Notice to the Registered Shareholders and Hangzhou Kangming, upon which 91health Hangzhou may (1) demand all the outstanding payment due according to the Exclusive Consulting Service Agreement, and/or (2) exercise its right of pledge according to the Equity Pledge Agreement, or otherwise dispose of the pledged equity interest in accordance with applicable Laws. 91health Hangzhou may exercise such right of pledge based on its own independent judgement. The Registered Shareholders and the Consolidated Affiliated Entities have covenanted to unconditionally collaborate with 91health Hangzhou when 91health Hangzhou exercises such right of pledge. 91health Hangzhou shall bear no responsibilities for any direct or indirect loss incurred consequent upon its exercise of such right of pledge.

The Equity Pledge Agreements shall remain effective until, among others, the Consolidated Affiliated Entities and the Registered Shareholders have recorded the release of such pledged shares in the Register of Members and completed relevant deregistration procedure.

Voting Proxy Agreements

(i) 91health Hangzhou, Hangzhou Kangming and the then Registered Shareholders entered into a shareholder voting rights proxy agreement on June 16, 2021 and (ii) each of Yinchuan Zhiyun Internet Hospital, Chengdu Zhiyun Internet Hospital, Tianjin Zhiyun and Yinbang Insurance Brokerage entered into a voting proxy agreement with 91health Hangzhou and Hangzhou Kangming on March 1, 2022 (each a "**Voting Proxy Agreement**" and collectively the "**Voting Proxy Agreements**"), pursuant to which each of the then Registered Shareholders and Hangzhou Kangming unconditionally and irrevocably agrees to appoint 91health Hangzhou and/or its designee as their exclusive agent and attorney to act on their behalf on all matters concerning the Consolidated Affiliated Entities and to exercise all of their rights as shareholder of the Consolidated Affiliated Entities, including, among others:

(i) to propose, convene and attend shareholders' meetings, and to exercise the minutes and resolutions of such meetings or other legal documents;

(ii) to exercise voting rights vested on the Registered Shareholders and Hangzhou Kangming under the articles of association of the Consolidated Affiliated Entities and the PRC laws (including but not limited to, transfer or disposal of shares and/or assets of the Consolidated Affiliated Entities, dissolution and liquidation of the Consolidated Affiliated Entities, formation of a liquidation committee and approval of liquidation report);

(iii) to execute any and all documents which shall be executed by Registered Shareholders and Hangzhou Kangming and to submit such documents for the purpose of filing to the company registration authority; and

(iv) to exercise any other rights of shareholders provided under PRC laws or the articles of associations of the Consolidated Affiliated Entities.

Pursuant to the Voting Proxy Agreements, 91health Hangzhou is entitled to assign all or part of its rights to any other individuals and/or entities at its sole discretion, without first giving notification to, or seeking prior consent from, the Consolidated Affiliated Entities or Registered Shareholders. As a result of the Voting Proxy Agreements, the Company, through 91health Hangzhou, is able to exercise management control over the activities that most significantly impact the economic performance of the Consolidated Affiliated Entities.

The Voting Proxy Agreements, shall remain effective until, among others, 91health Hangzhou, and/or its offshore shareholders, and/or its subsidiaries and affiliates are permitted by the PRC laws to directly hold the shares of the Consolidated Affiliated Entities and are allowed to engage in the business being currently operated by the Consolidated Affiliated Entities.

Loan Agreement

91health Hangzhou and Mr. Kuang entered into a loan agreement dated June 16, 2021, (the "**Loan Agreement**"), pursuant to which 91health Hangzhou agreed to provide a loan of RMB24,000,000 to Mr. Kuang to finance subscription of increased registered capital of Hangzhou Kangming.

The parties agree that the term of the Loan Agreement commences from the date of the agreement and ends on the tenth (10) anniversary since the execution of the Loan Agreement, or on such date as determined by 91health Hangzhou. The loan shall be repaid, among other things, by the transfer of Acquired Interests under the Loan Agreement from the borrower to 91health Hangzhou or its designee.

Other aspects of the Contractual Arrangements

Spousal consent

The spouse of Mr. Kuang signed a spousal consent letter, pursuant to which the signing spouse unconditionally and irrevocably agrees that in respective of Exclusive Consulting Services Agreement, Exclusive Purchase Option Agreement, Equity Pledge Agreement, Loan Agreement, Voting Proxy Agreement (the "**Transaction Documents**"), (1) she will take any necessary measures to procure the execution of the Transaction Documents (as amended from time to time); (2) she has no objection regarding Mr. Kuang signing and execution of such Transaction Documents (as amended from time to time), and will not make any claims on the interests; and (3) she will subject herself to the Transaction Documents in the event that she acquires any of the shares held by Mr. Kuang by any means.

Powers of Attorney

Pursuant to the Power of Attorney executed by each of the Registered Shareholders in favour of 91health Hangzhou (the "**Powers of Attorney**"), each of the Registered Shareholders authorised 91health Hangzhou as their representative to exercise all of their voting rights and other shareholder rights in Hangzhou Kangming, including (i) to convene and participate in the general meetings of Hangzhou Kangming, to execute the minutes and resolutions of such meetings, and to exercise voting rights on all matters, (ii) to make any resolutions on the disposal of Hangzhou

Kangming's assets, (iii) to make any resolutions on the dissolution and liquidation of Hangzhou Kangming, and (iv) to decide on any transfer or otherwise dispose of the shares held by them in Hangzhou Kangming. Each of the Powers of Attorney shall constitute a part of and embody the terms of the Voting Proxy Agreement.

Dispute resolution

In the event of any dispute under the Contractual Arrangements, each of them provides that:

(a) all disputes shall first be settled through friendly negotiation;

(b) if such dispute fails to be resolved by negotiations within thirty days, any party shall have the right to submit the disputes to the China International Economic and Trade Arbitration Commission (Shanghai), and such dispute shall be arbitrated in Chinese language in accordance with the then prevailing arbitration rules by three arbitrators in Shanghai, China, with such arbitration award final and binding on all parties to the arbitration;

(c) prior to the final award, the arbitration institution shall have the right to grant 91health Hangzhou with appropriate legal remedies, including relevant remedial measures regarding the shares or assets or property rights of the Consolidated Affiliated Entities, remedial injunctions, and dissolution or liquidation of the Consolidated Affiliated Entities; and

(d) subject to, and in compliance with, PRC laws, competent courts (including the courts of China, Hong Kong, the Cayman Islands and the place where the principal assets of our Consolidated Affiliated Entities are located) have the power to grant interim remedies before the formation of the arbitral tribunal or in appropriate cases to support arbitration.

Our PRC Legal Adviser has, however, advised that: (i) a tribunal normally would not grant such kind of injunctive relief or winding up order of the Consolidated Affiliated Entities under PRC laws; (ii) interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and (iii) even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that any of our Consolidated Affiliated Entities or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See "Risk factors — Risks Related to Our Corporate Structure" for details.

Succession

Each of the Contractual Arrangements is binding on the successors of the Registered Shareholders. Under the Civil Code, the statutory successors include one's spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents and any breach by such successors would be a breach of the Contractual Arrangements. In case of a breach, 91health Hangzhou can enforce its rights against the successors.

Under the Exclusive Purchase Option Agreement, Equity Pledge Agreement and Voting Proxy Agreement, each Registered Shareholders has undertaken that: (i) any change of its controlling shareholder (or general partners) or de facto controlling person shall not affect direct shareholding in the Consolidated Affiliated Entities, and will not prevent the Registered Shareholder from performing its obligation therein; (ii) in the event of merger, division, dissolution, liquidation, bankruptcy or cancellation of the Registered Shareholder, the successor of such Registered Shareholder shall be deemed as a signatory to the agreement and undertake all of the rights and obligations of such Registered Shareholder, and (iii) in the event of death, divorce, bankruptcy, liquidation or other circumstances, its spouse, successor, liquidator or any other person or entity who directly or indirectly obtains such rights due to such event will not be prejudicial or disruptive to performance of the agreement.

Under the spousal consent, the spouse has confirmed that in the event that the spouse acquires any equity interest in Hangzhou Kangming held by Mr. Kuang by any means, the spouse shall subject herself to the Contractual Arrangements where Mr. Kuang is a party and comply with such obligations under the Contractual Arrangements and for this purpose, sign a series of written documents substantially in the same form and content as Mr. Kuang signed upon the request of 91health Hangzhou.

Based on the above, our PRC Legal Adviser has advised that: (i) the Contractual Arrangements provide protection to the Group even in the event of loss of capacity, death, bankruptcy, marriage or divorce (if applicable) of the Registered Shareholders; and (ii) loss of capacity, death, bankruptcy, marriage or divorce (if applicable) of the Registered Shareholders would not affect the validity of the Contractual Arrangements, and 91health Hangzhou can enforce its rights under the Contractual Arrangements against the successors of such shareholders.

Conflicts of interest

Although only one of the Registered Shareholders (namely Mr. Kuang) is also our director and officer, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders. Under the irrevocable Powers of Attorney, the Registered Shareholders appointed 91health Hangzhou, or any person designated by 91health Hangzhou (acting under the direction or instructions of 91health Hangzhou), as their respective attorney-in-fact to appoint directors and vote on their behalf on all matters of our Hangzhou Kangming requiring approval under their articles of associations and under the relevant PRC laws.

Loss sharing

Neither the agreements constituting the Contractual Arrangements nor PRC laws provide or require that our Company or 91health Hangzhou be obligated to share the losses of our Consolidated Affiliated Entities or provide financial support to our Consolidated Affiliated Entities. Further, each of our Consolidated Affiliated Entities is a separate legal entity and shall be solely liable for its own debts and losses with assets and properties owned by it.

Despite the foregoing, given that our Group conducts its businesses in the PRC through our Consolidated Affiliated Entities which hold the requisite PRC licences and approvals, and that our Consolidated Affiliated Entities' financial condition and results of operations are consolidated into our Company's financial statements under the applicable accounting principles, our business, financial condition and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses. Therefore, the provisions in the Contractual Arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on 91health Hangzhou and our Company resulting from any loss suffered by our Consolidated Affiliated Entities.

Liquidation

Pursuant to the Voting Proxy Agreement, the Registered Shareholders have undertaken that 91health Hangzhou or its designee are entitled to appoint members of the liquidation committee of the respective Consolidated Affiliated Entities upon the winding up of the respective Consolidated Affiliated Entities. Pursuant to the Exclusive Purchase Option Agreement, in the event of a dissolution or liquidation, all of the remaining assets of the respective Consolidated Affiliated Entities shall be transferred to 91health Hangzhou after such dissolution or liquidation pursuant to PRC laws.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our confirmation

Our Directors confirm that, as of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Adviser is of the opinion that:

1. the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto, the contents of each agreement do not violate the mandatory provisions of current PRC laws, except in the following cases: under the current PRC laws, the arbitration body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, therefore the injunctive relief and other temporary relief measures under Contractual Arrangements may not be legally and effectively enforced under current PRC law;

2. the consummation of the Contractual Arrangements does not violate the M&A Rules;

3. the execution and performance of the Contractual Arrangements would not fall within the circumstances which cause such arrangements to be deemed as invalid civil juristic act under the PRC Civil Code (中華人民共和國民法典);

4. the execution and performance of the Contractual Arrangements do not violate the provisions of the articles of association of 91health Hangzhou and the respective Consolidated Affiliated Entities; and

5. the execution of the Contractual Arrangements does not require any approvals or authorisations from PRC governmental authorities, except that:

   (a) the pledge of any equity interest in the Consolidated Affiliated Entities in favour of 91health Hangzhou is subject to registration requirements with the relevant administration for market regulation, which was completed on August 17, 2021 and [•], 2022, respectively;

(b) the exercise by 91health Hangzhou of its option rights under the Exclusive Purchase Option Agreements to acquire all or part of the equity interests in the Consolidated Affiliated Entities is subject to the approval of, consent of, filing with and/or registration with PRC governmental authorities;

(c) the transfer of the equity interest in the Consolidated Affiliated Entities contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC laws;

(d) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Contractual Arrangements are subject to applications to competent PRC courts for recognition and enforcement; and

(e) under PRC laws, an arbitral body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, or requiring winding-up of each of our Consolidated Affiliated Entities as interim remedies.

Based on all of the above, our Directors are of the view that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable our Company to control our Consolidated Affiliated Entities that engage in the operation of Relevant Businesses where PRC laws restrict foreign ownership.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own the Consolidated Affiliated Entities, the Contractual Arrangements enable our Company to exercise control over the Consolidated Affiliated Entities.

Under the Exclusive Consulting Services Agreement, it was agreed that, in consideration of the services provided by 91health Hangzhou, Hangzhou Kangming will pay services fees to 91health Hangzhou. The services fees, subject to 91health Hangzhou's adjustment, are equal to the entirety of the total consolidated profit of Hangzhou Kangming (net of accumulated deficit of the Consolidated Affiliated Entities in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant Laws to be reserved or withheld). 91health Hangzhou may adjust the services scopes and fees at its discretion in accordance with China tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entities. 91health Hangzhou also have the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities. Accordingly, 91health Hangzhou has the ability, at its sole discretion, to extract all of the economic benefit of Hangzhou Kangming and its subsidiaries through the Exclusive Consulting Services Agreement.

In addition, under the Exclusive Consulting Services Agreement and the Exclusive Purchase Option Agreement, 91health Hangzhou has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entities as 91health Hangzhou's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from our Consolidated Affiliated Entities, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant Laws) to our Company.

As a result of these Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entities through 91health Hangzhou and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in note 1 to the Accountants' Report in Appendix I to this document.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(iii) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and

(iv) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of 91health Hangzhou and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

The Company also undertakes to restructure its Contractual Arrangements, including to adjust the equity interest held through its Contractual Arrangements when required by the relevant governmental authority, to comply with the latest PRC regulations, including the Decision of the State Council on Amending or Abolishing Certain Administrative Regulations, which came into effect on May 1, 2022.

DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the National People's Congress approved the Foreign Investment Law which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (外商投資法實施條例), which came into effect on January 1, 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. As advised by our PRC Legal Adviser, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council" without elaboration on the meaning of "other methods". The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and Relevant Businesses will not be materially and adversely affected in the future due to changes in PRC laws. See "Risk factors — Risks Related to Our Corporate Structure — Our current corporate structure and business operations may be affected by the Foreign Investment Law".

REGULATION RELATING TO FOREIGN INVESTMENT

Foreign Invested Entities

The establishment, operation, and management of companies in the PRC is governed by the PRC Company Law (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People's Congress, or the SCNPC, on December 29, 1993, effective from July 1, 1994 and most recently amended on October 26, 2018. The PRC Company Law shall apply to foreign-invested companies unless laws on foreign investment have other stipulations.

On March 15, 2019, the National People's Congress, or the NPC, promulgated the PRC Foreign Investment Law (《中華人民共和國外商投資法》), which came into effect on January 1, 2020 and replaced the previous laws regulating foreign investment in the PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law of PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law of the PRC (《中華人民共和國外資企業法》), together with their implementation rules and the ancillary regulations.

Foreign Investment

According to the PRC Foreign Investment Law, foreign investment shall enjoy pre-entry national treatment, except for those fall within the "restricted" or "prohibited" categories, which are principally stipulated in the Special Administrative Measures (Negative List) for Access of Foreign Investment (2021 Edition) (《外商投資准入特別管理措施(負面清單) (2021年版)》) which came into effect on January 1, 2022, or the Negative List. Other laws and regulations may also set restrictions on foreign investment in the PRC.

Pursuant to the Negative List and the Administrative Regulations on Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), the ultimate capital contribution percentage by foreign investor(s) in a foreign-invested value-added telecommunications enterprise (except for ecommerce, domestic multi-party communications, storage-forwarding and call centers) shall not be more than 50% and the primary foreign investor should be equipped with a good track record and operational experience in the industry. 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, was canceled. Also, according to the Negative List and the Provisional Measures for the Administration of Medical Institutions in the Form of Sino-foreign Equity or Contractual Joint Venture (《中外合資、合作醫療機構管理暫行辦法》) issued by the Ministry of Health and Ministry of Foreign Trade and Economic Cooperation in May 2000, the ratio of equity or interests of foreign capital in a Sino-foreign medical institution shall not exceed 70%. Furthermore, although there is no explicit restriction on insurance broker industry in the Negative List, the Service Guide on the Approval of the Establishment of Insurance Brokerage Institutions (《保險經紀機構設立審批事項服務指南》) issued on August 31, 2019 by the China Banking and Insurance Regulatory Commission stipulates, among others, that the foreign investor shall be a foreign commercial insurance broker established in a WTO member with more than 30 years' experience and whose total asset shall be more than USD$200 million at the end of the year before such application.

REGULATION RELATING TO VALUE-ADDED TELECOMMUNICATIONS SERVICES

Telecommunications Regulations

The Telecommunication Regulation of the PRC (《中華人民共和國電信條例》), or the Telecom Regulation, promulgated in September 2000 and amended in July 2014 and February 2016 respectively, sets out the general framework for the provision of telecommunication services by PRC companies. The Telecom Regulation requires that telecommunications service providers shall obtain operating licenses prior to commencing their operations. The Telecom Regulation draws a distinction between basic telecommunications services and value-added telecommunications services, latter of which refers to making use of public network infrastructure to provide telecommunications and information services. Part of our business falls within value-added telecommunications services stipulated in the Classification Catalogue of Telecommunications Services (2015 Edition) (《電信業務分類目錄(2015年版)》), which was issued by the Ministry of Industry and Information Technology, or the MIIT, in December 28, 2015 and latest amended on June 6, 2019.

In July 2017, the MIIT issued the Measures on the Administration of Telecommunications Business Operating Permits (《電信業務經營許可管理辦法》), or the Telecom License Measures, which became effective in September 2017, to supplement the Telecom Regulation. The Telecom License Measures require that an operator of value-added telecommunications services shall obtain a value-added telecommunications business operating license from the MIIT or its provincial level counterparts. The term of a license for value-added telecommunication business is five years and subject to annual inspection.

Internet Information Services

Pursuant to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) issued by the State Council on January 8, 2011, internet information services refer to providing information through the internet to online users, which are divided into commercial internet information services and non-commercial internet information services. A commercial internet information services operator must obtain a value-added telecommunications services license from the relevant government authorities before engaging in any commercial internet information services operations in the PRC. Meanwhile, a filing procedure is required if the operator only provides internet information on a non-commercial basis. Internet information service providers are required to monitor their websites.

Mobile Internet Applications Information Services

In addition to the regulations above, mobile internet applications, or APPs, are especially regulated by the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》), or the APP Provisions, which was promulgated by National Internet Information Office on June 28, 2016 and became effective on August 1, 2016. The APP information service providers shall acquire relevant qualifications required by laws and regulations and implement information security management responsibilities strictly and fulfill relevant obligations provided by the APP Provisions.

REGULATIONS RELATING TO THE ONLINE MEDICAL SERVICES

Medical Institution

The Administrative Regulations on Medical Institutions (《醫療機構管理條例》) was promulgated by the State Council in February 1994 and amended in February 2016 to regulate all medical institutions, such as hospitals, health centers, sanatoriums, out-patient departments, clinics and health posts (rooms) as well as first-aid stations. The establishment of medical institutions shall be subject to examination and approval of the health administrative authorities at the county level or above. A medical institution shall carry out diagnosis and treatment activities within the approved and registered medical subjects. The National Health and Family Planning Commission, or the NHFPC, also promulgated the Implementation Measures of the Administrative Regulations on Medical Institutions (《醫療機構管理條例實施細則》) to provide detailed administration rules on medical institutions, which was most recently amended in February 21, 2017 and became effective on April 1, 2017.

Internet Medical Services

According to the Guiding Opinions on Vigorously Advancing the "Internet Plus" Action (《國務院關於積極推進「互聯網+」行動的指導意見》) issued by the State Council on July 1, 2015, internet enterprises are encouraged to cooperate with medical institutions in establishing online medical information platforms, strengthen the integration of regional healthcare service resources, and make full use of the internet, big data and other means to improve the capability to prevent and control major diseases and unexpected public health incidents.

According to the 13th Five-year Plan for Health and Wellness (《「十三五」衛生與健康規劃》) or the Plan, issued by the State Council on December 27, 2016, it is proposed to strengthen the informatization of the population health and fully implement "Internet Plus" medical and healthcare people-benefiting service. The Plan also encourages the establishment of regional telemedicine platform and enhances the flow of high-quality healthcare resources to the Midwest and the primary level.

In April 2018, the General Office of State Council promulgated the Opinions on Promoting the Development of "Internet plus Healthcare" (《國務院辦公廳關於促進「互聯網+醫療健康」發展的意見》), or the Internet Plus Healthcare Opinions, which specifies that internet hospitals should be supported by offline medical institutions. A medical institution may use "internet hospital" as a second name, adopt internet technologies to provide safe and appropriate medical services, and provide online services for subsequent visits for certain common diseases and chronic diseases. After reviewing a patient's medical records and profile, a doctor is allowed to issue prescriptions online for certain common diseases and chronic diseases.

In order to implement the relevant requirements of the Internet Plus Healthcare Opinions and further regulate Internet diagnosis and treatment, the National Health Commission and National Administration of Traditional Chinese Medicine issued the Administrative Measures for Internet Diagnosis and Treatment (Trial) (《互聯網診療管理辦法(試行)》), Administrative Measures for Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》) and Good Practices for the Administration of Telemedicine Services (Trial) (《遠程醫療服務管理規範(試行)》) and Basic Standards for Internet Hospitals (for Trial Implementation) (互聯網醫院基本標準(試行)), according to which internet hospitals include those whose names are taken as the second name of physical medical institutions and those that have been set up as an independent entity supported by physical medical institutions, which can be either an offline medical institution that is under

common control with that internet hospital, or a third-party offline medical institution through entering into cooperation agreements. The coverage of diagnosis and treatment services of an internet hospital may not exceed the coverage of these of the offline medical institution supporting it, and the clinical departments of an internet hospital may not exceed those of the offline medical institution supporting it. Internet hospital can use physicians registered in its own institution and other medical institutions to carry out internet diagnosis and treatment activities. Internet diagnosis and treatment activities for first-diagnosed patients are not allowed. Internet hospitals may provide patients with services for follow-up visits of some common diseases, chronic diseases and family physician contracted services, provided that physicians have obtained the patient's medical records and relevant common diseases or chronic diseases have been diagnosed at the physical medical institution. On October 26, 2021, the Bureau of Medical Administration of National Health Commission published the Rules on the Regulation of Online Medical Consultation (Draft for Comments) (《互聯網診療監管細則(徵求意見稿)》), which provide, among other things, that medical institutions must authenticate the identities of physicians engaged in providing online medical treatment to ensure the legitimacy of their qualifications before practicing on an online platform, and that other personnel or AI software may not impersonate or replace those authenticated physicians. Patients are obliged to provide authentic proofs of identity and basic information and are prohibited from using other individuals' identities to receive medical treatment. In addition, patients must provide medical records with clear diagnostic information and physicians must determine whether a patient meets the conditions for re-examination and collect documentation or electronic evidence proving that the patient has been previously diagnosed.

Medical Practitioners

In June 1998, the SCNPC promulgated the PRC Licensed Medical Practitioners Law (《中華人民共和國執業醫師法》), which became effective in May 1999 and was amended in August 2009. According to the PRC Licensed Medical Practitioners Law, a system of registration for licensed doctors is applied in the PRC. Doctors, upon registration, may work for medical treatment, disease-prevention or healthcare institutions at the places, for the types of job and within the scopes of business as registered. No one may work as a doctor without a doctor's license obtained through registration. In February 2017, the NHFPC promulgated the Administrative Measures for the Registration of Medical Practitioners (《醫師執業註冊管理辦法》), or the Medical Practitioners Registration Measures, which stipulates further details for doctors to obtain the practice licenses.

In November 2014, the NHFPC, together with four other departments, jointly promulgated Several Opinions on Promoting and Standardizing Multi-site Practice of Medical Practitioners (關於印發《推進和規範醫師多點執業的若干意見》的通知), according to which clinical, dental and traditional Chinese medicine practitioners are allowed to practice in multiple places. Medical practitioners who meet certain requirements and conditions shall register with competent health administrative authorities and obtain the consent from the medical institution where he or she first practices before practicing in other places. Moreover, under the Medical Practitioners Registration Measures, a medical practitioner practicing in multiple institutions at the same place shall designate one institution as his or her primary practicing institution and apply for registration to the competent health and family planning administrative authorities of such institution, and for other institutions where a medical practitioner intends to practice, he or she should file at the relevant health and family planning administrative authorities of such institutions and indicate the name of such institutions. In addition, a medical practitioner intends to add the practicing institution beyond the place of practice, he or she should apply for registering such institution to the relevant health and family planning administrative authorities that approve the practice of such institutions.

Online Medical Service Price and Medical Insurance

On August 17, 2019, the National Health Security Administration issued the Guidance on Improving "Internet plus" Medical Service Price and Medical Insurance Payment Policies (《關於完善「互聯網+」醫療服務價格和醫保支付政策的指導意見》), under which the prices of "Internet Plus" medical services shall be included in the existing policy system for the prices of medical services with unified management. For-profit medical institutions that provide "Internet Plus" medical services in accordance with laws and regulations may set their own pricing items for medical services. Pricings for "Internet Plus" medical services shall meet all of the following basic conditions: (1) the services shall be provided in an Internet Plus manner, approved by the competent department of health, with clear clinical paths and clear technical specifications; (2) the services shall be directly provided to patients; (3) the service process shall be based on the Internet and other media; (4) the services should be able to achieve the same effect as its offline counterpart can; and (5) the services should have substantive effect on the diagnosis and treatment of disease.

Prices of "Internet Plus" medical services provided by non-public medical institutions shall be subject to the market. Where the "Internet Plus" medical services provided by designated medical institutions are the same as the offline medical services within the payment scope of medical insurance, and the corresponding charging prices of public medical institutions are applied, such services shall be included in the payment scope of medical insurance and payment shall be made in accordance with the relevant provisions upon the corresponding record-filing procedures.

REGULATIONS RELATING TO DRUGS AND MEDICAL DEVICES

Pharmaceutical Operation

In September 1984, the SCNPC promulgated the PRC Drug Administration Law (《中華人民共和國藥品管理法》), or the Drug Administration Law, which was latest amended in December 2019 to regulate the research, manufacture, operation, use, supervision and management of drugs within the PRC. According to the Drug Administration Law, no drug business, including drug wholesale and drug retail business, is permitted without obtaining a Pharmaceutical Operation License. The Implementation Rules for the PRC Drug Administration Law (《中華人民共和國藥品管理法實施條例》) was issued by the State Council in August 2002 and latest amended in March 2019, to provide the detailed implementation rules for drugs administration.

The China Food and Drug Administration, or the CFDA, promulgated the Measures for the Administration of Pharmaceutical Operation License (《藥品經營許可證管理辦法》) in February 2004 and amended in November 2017, which stipulates the requirements, qualifications and procedures for drug wholesalers or drug retailers with respect to the obtaining and maintenance of the Pharmaceutical Operation License. The valid term of the Pharmaceutical Operation License is five years and shall be renewed six months prior to its expiration date.

Pursuant to the Administrative Measures for the Supervision of Circulation of Pharmaceuticals (《藥品流通監督管理辦法》) effective on May 1, 2007, pharmaceutical operating enterprises shall be responsible for the quality of pharmaceuticals they operate. A pharmaceutical operating enterprise shall be responsible for its purchase or sale of pharmaceuticals, including activities carried out by its staff on its behalf, and it shall not store or sell pharmaceuticals at a place other than the address ratified by the pharmaceutical regulatory authority.

Furthermore, the Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》), promulgated in April 2000 and latest amended in July 2016, provides that the pharmaceutical operation enterprise shall take effective quality control measures over the process of procurement, storage, transportation and sale of drugs in order to ensure their quality and shall develop a drug traceability system according to relevant requirements of the PRC to realize the traceability of drugs. The business premises of pharmaceutical operation enterprises shall be in line with their drug business operation scope and scale, and be separated from drug storage, office, auxiliary living area and other areas, and have corresponding facilities or take other effective measures to protect the drugs from impacts of outdoor environment, and shall be spacious, bright, clean and sanitary. Drugs shall not be returned or replaced once sold for any reasons except for the reason of drug quality. As for serious quality problems on the drugs sold, the pharmaceutical operation enterprise shall timely take measures to recall the drugs and make records properly, and report to the food and drug administration at the same time.

On December 26, 2016, the Medical Reform Office of the State Council, the NHFPC, the China Food and Drug Administration, and five other government authorities promulgated the Notice on Issuing the Implementing Opinions on Promoting the "Two-invoice System" for the Drug Procurement by Public Medical Institutions (Trial) (《印發關於在公立醫療機構藥品採購中推行「兩票制」的實施意見(試行)》), which became effective on the same date. On January 24, 2017, the General Office of the State Council further promulgated the Several Opinions on Further Reform and Improvement in Policies of Drug Production, Circulation and Use (《關於進一步改革完善藥品生產流通使用政策的若干意見》). According to these rules, a two-invoice system is encouraged to be gradually and fully adopted for drug procurement by 2018. The two-invoice system generally requires a drug manufacturer to issue only one invoice to its distributor, followed by the distributor issuing a second invoice directly to the end customer hospital. Only one distributor is permitted to distribute drug products between the manufacturer and the hospital. The system also encourages manufacturers to sell drug products directly to hospitals. Pharmaceutical manufacturers and distributors who fail to implement the two-invoice system may be disqualified from attending future bidding events or providing distribution for hospitals and blacklisted for drug procurement practices. Furthermore, On March 5, 2018, the NHFPC and five other government organizations promulgated the Notice on Consolidating the Achievements of Cancelling Drug Markups and Deepening Comprehensive Reforms in Public Hospitals (《關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知》), which became effective on the same date. On July 19, 2019, the General Office of the State Council further promulgated the Reform Plan for the Control of High-value Medical Consumables (《治理高值醫用耗材改革方案》). According to these rules, the two-invoice system is encouraged to be gradually adopted for high-value medical consumables to promote openness and transparency of purchases and sales.

Prescription and Non-Prescription Drugs

The Measures on Prescription Drugs and Non-Prescription Drugs Classification Management (Trial) (《處方藥與非處方藥分類管理辦法(試行)》) was released by the National Medical Products Administration, or the NMPA, in June 1999, and became effective in January 2000, which provides that drugs are categorized into prescription drugs and non-prescription drugs, and the prescription, purchase and use of prescription drugs should base on the prescription issued by a certified medical practitioner or certified medical assistant practitioner. On December 28, 1999, the NMPA released the Interim Provisions on the Circulation of Prescription and Non-Prescription Drugs (《處方藥與非處方藥流通管理暫行規定》), which came into effect on January 1, 2000 and provides that drug wholesale enterprises shall not recommend or sale prescription drugs to patients directly or indirectly in any manner, and prescription drugs shall only be sold, purchased and used with a prescription issued by certified medical practitioner or certified medical assistant practitioner.

For the purpose of regulating the administration of prescriptions, the Measures for the Administration of Prescriptions (《處方管理辦法》) was released by the Ministry of Health in February 2007. Under the Measures for the Administration of Prescriptions, a registered medical practitioner shall obtain the corresponding prescription right at the registered practice place and the certified medical practitioner shall issue prescriptions according to the requirements of medical treatment, disease prevention, healthcare, and subject to the treatment standards and drug instructions. A prescription issued by a registered medical practitioner assistant in a medical institution shall be valid only after being signed or sealed by the medical practitioner at the place of practice.

National Medical Insurance

The national medical insurance program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《國務院關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on December 14, 1998, under which all employers in urban cities are required to enroll their employees in the Urban Employee Basic Medical Insurance Program and the insurance premium is jointly contributed by the employers and employees.

The Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (《城鎮職工基本醫療保險用藥範圍管理暫行辦法》) issued on May 12, 1999 provides that a pharmaceutical product listed in the National Reimbursement Drug List must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements: (1) it is set forth in the Pharmacopeia (the prevailing version) of the PRC; (2) it meets the standards promulgated by the national drug administration department; and (3) if imported, it is approved by the national drug administration department for import.

According to the Notice on Strengthening the Administration of Medical Insurance Agreements and Ensuring the Safety of Insurance Funds (《關於當前加強醫保協議管理確保基金安全有關工作的通知》) issued by the General Office of the National Health Security Administration on November 28, 2018, the agreement with designated medical institutions might be terminated if such institutions breach the agreement under certain circumstance. Furthermore, in January 15, 2021, the State Council issued the Regulations on Supervision and Administration of the Use of Healthcare Security Fund (《醫療保障基金使用監督管理條例》), effective on May 1, 2021, which provides that if a designated medical institution defrauds the expenditures of the healthcare security fund in stipulated ways, it might be ordered to return the expenditures, pay fines and suspend the medical services. The practicing qualification of such institution might be revoked.

Medical Device Business

Pursuant to the Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), which was most recently revised on February 9, 2021, and became into effective on June 1, 2021, and the Measures for the Supervision and Administration of Medical Devices Business (《醫療器械經營監督管理辦法》) promulgated by the CFDA on July 30, 2014 and amended on November 17, 2017, licensing or recordation is not required for business activities involving Class I medical devices. An enterprise engaged in the operation of Class II medical devices shall file with the municipal level food and drug supervision and administration department and provide proofing materials for satisfying the relevant conditions of engaging in the operation of medical devices, while an enterprise engaged in the operation of Class III medical

devices shall apply for an operation permit to the municipal level food and drug supervision and administration department and provide proofing materials for satisfying the relevant conditions of engaging in the operation of such medical devices. An operation permit is valid for five years and may be renewed pursuant to the relevant regulations.

Medical device business in the PRC is also subject to the Good Supply Practice for Medical Devices (《醫療器械經營質量管理規範》) issued by the CFDA on December 12, 2014 and became effective on the same day, according to which enterprises engaging in medical device business shall carry out risk management based on the risk categories of medical devices operated by it, take corresponding quality management measures and keep relevant records or archives. The medical device business enterprises, unless otherwise provided therein, shall also have business premises and warehouses that match its business scope and scale, and the area of business premises and warehouses shall meet the business requirements. The storage operation area and auxiliary operation area of medical equipment shall be separated from office area and living area, or quarantine measures shall be taken for the storage operation area and auxiliary operation area. Also, medical device business enterprises shall strengthen the management of return of goods to ensure the quality and safety of medical devices at the stage of return and prevent the mixing in of counterfeit and inferior medical devices.

Online Drug Information Service

The Administrative Measures on Internet Drug Information Service (《互聯網藥品信息服務管理辦法》), or the Internet Drug Information Measures, promulgated by the CFDA in July 2004 and amended in November 2017, stipulates that internet drug information services as providing drug (including medical device for purpose of the Internet Drug Information Measures) information services (including commercially and non-commercially) to online users. The Internet drug information services are classified into two categories, namely, profit-making services and non-profitmaking services. Profit-making services refers to that of providing Internet users with drug information in return for service fees whilst non-profit-making services refers to that of providing Internet users with drug information which is shared and accessible by the public through the Internet free of charge. A website operator that provides drugs information services must obtain an Internet Drug Information Service Qualification Certificate from the competent provincial counterpart of the CFDA. The valid term for an Internet Drug Information Service Qualification Certificate is five years and may be renewed at least six months prior to its expiration date upon a re-examination by the relevant governmental authorities. Furthermore, as requested by Internet Drug Information Measures, the information relating to drugs shall be accurate and scientific in nature, and its provision shall comply with the relevant laws and regulations. No product information of narcotic drugs, psychotropic drugs, medical toxic drugs, radiopharmaceuticals, addiction medications and preparations made by medical institutions shall be distributed on the website.

Online Transaction of Drugs and Medical Devices

On January 1, 2019, the PRC E-commerce Law (《中華人民共和國電子商務法》) came into effect and provided basic rules on business activities of sale of goods or provision of services through Internet and other information network. In March 2021, the State Administration for Market Regulation, or the SAMR, promulgated the Administrative Measures for Online Trading Supervision (《網絡交易監督管理辦法》), or Online Trading Measures, which became effective on May 1, 2021, to regulate the business of products sale and services provision through the internet, which provides general obligations and responsibilities of online trading operators and online trading platform providers.

The Interim Provisions on the Examination and Approval of Internet Drug Transaction Services (《互聯網藥品交易服務審批暫行規定》) promulgated by the CFDA in September 2005 and became effective in December 2005 provided that enterprises engaging in providing drug transaction services over the internet must obtain an Internet Drug Transaction Qualification Certificate. However, according to the Decision on the Cancellation of the Third Batch of Items Subject to Administrative Permission by Local Governments Designated by the Central Government (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》), promulgated by the State Council in January 2017, except for the third-party platforms, all the approvals for internet drug transaction service are cancelled. Furthermore, according to the Decision on the Cancellation of Various Items Subject to Administrative Permission (《國務院關於取消一批行政許可事項的決定》) promulgated by the State Council in September 2017, enterprises engaging in internet drug transaction service as a third-party platform shall no longer be subject to the examination and approval of the CFDA before carrying out such business.

In November 2020, the NMPA published the Draft Measures for the Supervision and Administration of Online Pharmaceuticals Sales (Draft for Comments) (《藥品網絡銷售監督管理辦法（徵求意見稿）》), or the Draft Measures, which aims to enhance the supervision of online pharmaceutical sales and related platform services. The Draft Measures provides that online prescription drug sellers shall, among others, (i) ensure the accuracy and reliability of the source of e-prescription, (ii) keep records of any e-prescription for at least five years and no fewer than one year after the expiration date of the prescription drugs, and (iii) disclose safety warnings including "prescription drugs should only be purchased and used with prescriptions and guidance of licensed pharmacists" when displaying information of prescription drugs. The Draft Measures also imposes certain obligations on platform service providers for online pharmaceutical sales, including, among others, that platform service providers shall (i) enhance the scrutiny on the required licenses and permits of online pharmaceutical merchants for online pharmaceuticals sales, (ii) establish an examination and inspection system for drug information published on the platforms and report to competent governmental authorities when discovering any significant issue in connection with drug quality and safety, and (iii) promptly cease any illegal behavior upon discovery and report it to the relevant local governmental authorities.

In November 2017, the General Office of the CFDA promulgated the Notice on Strengthening the Administration and Supervision of Internet Drug and Medical Device Transaction (《關於加強互聯網藥品醫療器械交易監管工作的通知》), which specifies that enterprises carrying out internet drug (including medical device) transaction services shall establish a comprehensive supervision system in general and requests local counterparts of CFDA to implement routine supervision and examination with respect to qualification access examination, products inspection, storage of transaction data and legal liabilities, etc.

In December 2017, the CFDA promulgated the Administration and Supervision Measures of Online Sales of Medical Devices (《醫療器械網絡銷售監督管理辦法》), or the Online Medical Devices Sales Measures, which became effective in March 2018. According to the Online Medical Devices Sales Measures, enterprises engaging in online sales of medical devices must be medical device manufacturing and trading enterprises with medical devices production licenses, or trading licenses or filings, unless such licenses or record-filing are not required by laws and regulations. In addition, a third-party platform providing online medical devices transaction services shall obtain an Internet Drug Information Service Qualification Certificate and shall file record with the local provincial food and drug administrative authority. The records of sale information of medical devices shall be kept for two years after the valid period of the medical devices, no less than five years in case of no valid period, or permanently in case of implanted medical devices.

Regulations Relating to Advertising

The PRC Advertising Law (《中華人民共和國廣告法》), or the Advertisement Law, as recently amended and effective in April 2021, outlines the regulatory framework for the advertising industry. Advertisers are responsible for the veracity of contents of the advertisements. Narcotic drugs, psychotropic substances, toxic drugs for medical use, radioactive pharmaceuticals and other special drugs, drug precursor chemicals, as well as pharmaceuticals, medical device and treatment method for drug abuse rehabilitation, shall not be advertised. Prescription drugs other than the above may only be advertised on medical, pharmaceutical professional journals jointly designated by the health department and the drug regulatory department of the State Council.

According to the Advertisement Law, medical, pharmaceutical and medical device advertisements shall not contain the following contents: (1) assertion or guarantee about efficacy, safety; (2) statement on cure rate or efficiency; (3) comparison of efficacy and safety of other drugs, medical device or other medical institutions; (4) recommendation or endorsement of an advertising endorser; and (5) any other contents prohibited by laws and administrative regulations.

Moreover, the Measures for the Administration of Medical Advertisement (《醫療廣告管理辦法》) revised by the State Administration for Industry and Commerce, or the SAIC, and the Ministry of Health in November 2006 stipulated that if a medical institution intends to publish a medical advertisement, it shall apply for medical advertisement examination and obtain the Medical Advertisement Examination Certificate before publishing the advertisement. The contents of a medical advertisement shall be limited to the original name of the medical institution, the address of the medical institution, the form of ownership, the type of the medical institution, the diagnosis and treatment services, the number of beds, the service hours, and the contact telephone number.

For drug and medical device advertisements, the SAMR also promulgated the Interim Administrative Measures for the Review of Advertisements for Drugs, Medical Devices, Health Food and Formula Food for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) in December 2019, in which advertisements for drugs, medical devices, health food and formula food for special medical purposes shall not contain any false or misleading contents. Advertisers shall be responsible for the veracity and legitimacy of the contents of advertisements for drugs, medical devices, health food and formula food for special medical purposes.

The SAIC also issued Interim Measures for Administration of Internet Advertising (《互聯網廣告管理暫行辦法》) in July 2016, which then became effective on September 1, 2016, to further regulate the internet advertising activities. For example, internet advertising publishers and advertising agencies are required to establish and improve the management systems regarding acceptance, registration, review and filing of the internet advertising businesses, to examine, verify and register the identity information of advertisers such as their names, addresses and valid contact details, and to set up registration files and check and update them on a regular basis. Internet advertising publishers and advertising agencies shall examine relevant certificates of the advertiser, verify the contents of advertisements, and shall refuse to design, produce, act as agent or publish advertisements for an advertiser if the verification fails or if the certificates are incomplete. Internet advertising publishers and advertising agencies should also have advertisement inspectors who are familiar with advertisement laws.

Regulations Relating to Food Business

The PRC Food Safety Law (《中華人民共和國食品安全法》), which became effective in June 2009 and most recently amended by the SCNPC in April 2021, has adopted a licensing system for food sales or catering services. According to the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), promulgated by the CFDA on August 31, 2015 and amended on November 17, 2017, food operation operators shall obtain the food operation license for each business venue where they engage in food operation activities. The food operation license is valid for five years. Furthermore, the PRC implements strict supervision and administration for special categories of foods such as healthcare food, special formula foods for medical purposes and infant formula.

Regulations Relating to Product Quality and Consumers Protection

According to the PRC Product Quality Law (《中華人民共和國產品質量法》), which became effective in September 1993 and most recently amended in December 2018, products for sale must satisfy relevant safety standards and sellers shall adopt measures to maintain the quality of products for sale. Sellers shall not mix impurities or imitations into products, substitute fake products for genuine ones, substitute defective products for good ones or substitute substandard products for standard ones. Any violation of state or industrial standards for health and safety or other requirements may result in civil liabilities and administrative penalties for sellers, such as compensation for damages, fines, confiscation of products illegally sold and the proceeds from such sales and even revoking business license; in addition, severe violations may subject the responsible individual or enterprise to criminal liabilities.

According to the PRC Consumers Rights and Interests Protection Law (《中華人民共和國消費者權益保護法》), which became effective in January 1994 and was amended by the SCNPC in October 2013, business operators shall guarantee that the products and services they provide satisfy the requirements for personal or property safety and provide consumers with authentic information about the quality, function, usage and term of validity of the products or services. Where the operators of online trading platforms are unable to provide the real names, addresses and valid contact details of the sellers or service providers, the consumers may also claim damages to the providers of the online trading platforms. Operators of online trading platforms that clearly knew or should have known that sellers or service providers use their platforms to infringe upon the legitimate rights and interests of consumers but fail to take necessary measures must bear joint and several liabilities with the sellers or service providers. Moreover, if business operators deceive consumers or knowingly sell substandard or defective products, they should not only compensate consumers for their losses, but also pay additional damages equal to three times the price of the goods or services.

In January 2017, the SAIC issued the Interim Measures for No Reason Return of Online Purchased Products within Seven Days (《網絡購買商品七日無理由退貨暫行辦法》) which became effective in March 2017 and was amended by the SAMR in October 2020, further clarifying the scope of consumers' rights to make returns, return procedures and online trading platform operators' responsibility to formulate seven-day no-reason return rules and related consumer protection systems, and supervise the sellers and provide technical support for compliance with these rules.

REGULATIONS RELATING TO INTERNET INFORMATION SECURITY AND PERSONAL INFORMATIONAL PROTECTION

Internet Information Security

In December 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), which was further revised on January 8, 2011 and prohibits using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The Administrative Measures for the Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》) effective from June 22, 2007 stipulates that the security protection of an information system may be graded into five levels and entities that operate the information systems at Grade II or above shall, within 30 days since the date when its security protection grade is determined, handle the record-filing procedures at the local public security authority.

Under the Several Provisions on Regulating the Market Order of Internet Information Services (《關於規範互聯網信息服務市場秩序的若干規定》) issued by the MIIT in December 2011, an internet information service provider may not collect any personal information of a user or provide any such information to third parties without the user's consent. It must expressly inform the user of the method, content and purpose of the collection and processing of such user's personal information and may only collect information to the extent necessary to provide its services. An internet information service provider is also required to properly maintain users' personal information, and in case of any leak or likely leak of such information, it must take immediate remedial measures and, in the event of a serious outcome, report to the telecommunication regulatory authority immediately.

The PRC Cyber Security Law (《中華人民共和國網絡安全法》), which was promulgated by the SCNPC in November 2016 and took effect on June 1, 2017, reaffirmed certain basic principles and requirements on internet information security previously specified in the existing laws and regulations. For example, the operator of a critical information infrastructure shall store within the territory of the PRC personal information and important data collected and generated during its operation within the territory of the PRC. Where such information and data need to be provided abroad for business purpose, security assessment shall be conducted pursuant to the measures developed by the national cyberspace administration together with competent departments of the State Council, unless otherwise provided for in laws and administrative regulations.

On January 4, 2022, the Cyber Administration of China, together with 12 other departments, 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 would repeal 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. See "Risk Factors — Our business generates, processes and has access to a large amount of data, and the improper use or disclosure of such data could harm our reputation as well as have a material adverse effect on our business and prospects." The State Council promulgated the Regulations on Protection on the Safety of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) on July 30, 2021 effective from September 1, 2021, which provided that critical information infrastructure include important network facilities and information systems in public

communication and information services, energy, transportation, water conservancy, finance, public services, e-government, national defense science and technology industry and other important industries and fields of which any damage, loss of function or data leakage may seriously endanger national security, national economy or people's livelihood and public interest. The critical information infrastructure operators must, in accordance with relevant laws, administrative regulations and mandatory national standards and based on the graded system for cybersecurity protection, adopt technical protection measures and other necessary measures to respond to network security incidents and prevent network attacks and crimes to ensure the safe and stable critical information infrastructure operation and maintain data integrity, confidentiality and availability.

As of the date of this document, we have not been involved in any investigations on cybersecurity review made by the Cyberspace Administration of China, and we have not received any inquiry, notice or warning, or been subject to any penalties or sanctions in such respect. Based on the foregoing, we and our PRC Legal Advisor do not expect that, as of the date of this document, the current applicable PRC laws on cybersecurity and the CAC Measures, which came into effect on February 15, 2022, would have a material adverse impact on our business.

The SCNPC also promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), or the Data Security Law, on June 10, 2021, which came into effect on September 1, 2021. The Data Security Law applies to data processing activities, including the collection, storage, use, processing, transmission, availability and disclosure of data, and security supervision of such activities within the territory of the PRC. Where data processing activities outside the territory of the PRC damage national security, public interests or the legitimate rights and interests of PRC citizens and organizations, such activities shall be subject to legal liabilities. The PRC would also establish a data security review system, under which data processing activities that affect or may affect national security shall be reviewed. According to the Data Security Law, whoever carries out data processing activities shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security. Important data shall also be categorized and protected more strictly.

On November 14, 2021, the CAC has publicly solicited opinions on the 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. The Draft Regulations on Network Data Security Management is to implement general requirements on data security management from the CSL, DSL, and PIPL, and supplement these with implementing details. More specifically, it addresses requirements including protection of personal information, security of important data, security management of cross-border data transfer, obligations of internet platform operators, and supervision and management. Under the Draft Regulations on Network Data Security Management, data is divided into three categories — common, important, and core — depending on its importance to national security, the public interest and, individual privacy. The scope of "important data" is similar to that in other rules and guidelines. Data processors should comply with the requirements of cybersecurity multi-level protection, strengthen the data processing system, data transmission network, data storage environment and other security protection. Data processors should establish a data security emergency response mechanism, and promptly start the emergency response mechanism in the event of a data security incident. The Draft Regulations on Network Data Security Management also set out detailed rules for data processors to apply when providing personal information to third parties, or sharing, trading or entrusting important data to third parties. In addition, under the Draft Regulations on Network Data Security Management, data processors carrying out data processing activities that have or

could have an impact on national security shall apply for cybersecurity review, including data processors seeking a **[REDACTED]** in Hong Kong that affect or may affect national security. Data processors dealing with important data or listing offshore should carry out an annual data security assessment. Data exporters shall prepare reports on transfers of personal information and important data on an annual basis, for submission to the municipal branch of the CAC. The enforcement includes fines up to RMB10 million depending on the severity of the effects of violation and potential business suspension and/or revocation of business license. As of the Latest Practicable Date, the Draft Regulations on Cyber Data Security Management had not come into effect and the public comment period of the Draft Regulations on Cyber Data Security Management ended on December 13, 2021.

Personal Information Protection

Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》) issued by the SCNPC in 2012 and the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) issued by the MIIT in 2013, any collection and use of a user's personal information must be subject to the consent of the user, be legal, rational and necessary and be limited to specified purposes, methods and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering with or destroying any such information, or selling or providing such information to other parties. An internet information service provider is required to take measures to prevent the collected personal information from any disclosure, damage, tampering or loss.

According to the Regulations for Medical Institutions on Medical Records Management (《醫療機構病歷管理規定》) released on November 20, 2013, and effective from January 1, 2014, the medical institutions and medical practitioners shall strictly protect the privacy information of patients. Any leakage of patients' medical records for non-medical, non-teaching or non-research purposes is prohibited. The NHFPC released the Measures for Administration of Population Health Information (Trial) (《人口健康信息管理辦法》) on May 5, 2014, referring the medical health service information as the population healthcare information, which is not allowed to be stored in a server located outside the territory of China. Pursuant to the Management Measures of Standards, Safety and Service of National Health and Medical Big Data (Trial) (《國家健康醫療大數據標準、安全和服務管理辦法(試行)》), promulgated by the National Health Commission on July 12, 2018, the medical institutions should establish relevant safety management systems, operation instructions and technical specifications to safeguard the safety of healthcare big data generated in the process of health management service or prevention and cure service of diseases. It also stipulates that such healthcare big data should be stored in onshore servers and shall not be provided overseas without safety assessment.

Pursuant to the Ninth Amendment to the PRC Criminal Law (《中華人民共和國刑法修正案(九)》) issued by the SCNPC in August 2015 and became effective in November 2015, under certain series situations, an internet service provider that fails to fulfill the obligations related to the internet information security administration as required by the applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty. On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate issued the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which clarifies several concepts regarding the crime of infringement of citizens' personal information under the PRC Criminal Law. Moreover, on October 21, 2019, the Supreme People's Court and the

Supreme People's Procuratorate of the PRC jointly issued the Interpretations on Certain Issues Regarding the Application of Law in the Handling of Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes (《最高人民法院、最高人民檢察院關於辦理非法利用信息網絡、幫助信息網絡犯罪活動等刑事案件適用法律若干問題的解釋》), which came into effect on November 1, 2019, and further clarifies the meaning of Internet service operators and the severe situations of the relevant crimes.

The Method for Identifying the Illegal Collection and Use of Personal Information by Apps (《App違法違規收集使用個人信息行為認定方法》), promulgated jointly by the MIIT and three other departments in November 2019, specifies the practices of illegal collection and use of personal information, providing reference for regulatory authorities and offering guidance for App operators' self-examination and self-correction under the current regulatory environment. On May 28, 2020, the PRC Civil Code (《中華人民共和國民法典》) was issued by the NPC. The PRC Civil Code provides that natural persons' personal information shall be protected by law, and the processing of personal information shall be subject to the principle of legitimacy, rightfulness and necessity, with no excessive processing.

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law, issued on August 20, 2021 by the SCNPC, provided a comprehensive personal information protection system, under which in case of any personal information processing, individual prior consent must be obtained except in other circumstances stipulated therein to the contrary. Further, any data processing activities in relation to sensitive personal information including biometrics, religious beliefs, specific identities, medical health, financial accounts, whereabouts, personal information of teenagers under fourteen years old and other personal information once leaked or illegally used might easily lead to the infringement of personal dignity or harm of personal and property safety, are only allowed provided such activities are purpose-specified, highly necessary and strictly protected. Personal information processors who use personal information on automated decision-making must ensure the transparency of decision-making and the fairness and impartiality of the results and may not impose unreasonable differential treatment in terms of transaction prices and other transaction conditions. In addition, cross-border personal information transmission is restricted unless certain requirements in the Personal Information Protection Law have been satisfied, including security review organized by the national cyberspace department and other conditions specified by the laws, regulations and the national cyberspace department.

REGULATIONS RELATING TO INSURANCE BROKERAGE INDUSTRY

Insurance Brokerages

According to the PRC Insurance Law (《中華人民共和國保險法》), most recently amended and effective on April 24, 2015, an insurance brokerage is an organization that provides intermediary services for conclusion of an insurance contract between a policyholder and an insurer for the benefit of the policyholder, and collects commissions pursuant to the law. Insurance brokerages shall satisfy the criteria stipulated by the insurance regulatory department of the State Council and obtain an insurance brokerage business permit issued by the insurance regulatory authorities.

Except for the PRC Insurance Law, the principal regulation governing insurance brokerages is the Regulatory Provisions on Insurance Brokerages (《保險經紀人監管規定》), or the Insurance Brokerages Regulation, promulgated by the China Insurance Regulatory Commission, or the CIRC on February 1, 2018, and effective on May 1, 2018. According to the Insurance Brokerages

Regulation, the establishment of an insurance broker is subject to the approval of the CIRC and its branches. Insurance brokerages refers to organizations which provide intermediary services for execution of insurance contracts between policyholders and insurance companies based on interests of policyholders and collect commissions pursuant to the agreement, including insurance brokerage companies and their branches. The name of an insurance brokerage firm must contain the words "insurance brokerage". The minimum registered capital of an insurance brokerage company operating beyond the province, autonomous region, municipality directly under the central government or the municipality with unilateral planning at the place of its industry and commerce registration shall be RMB50 million. The minimum registered capital of an insurance brokerage company operating within the province, autonomous region, municipality directly under the central government or the municipality with unilateral planning at the place of its industry and commerce registration shall be RMB10 million.

An insurance brokerage firm may conduct the following insurance brokering businesses:

- making insurance proposals, selecting insurance companies and handling the insurance application procedures for the insurance applicants;
- assisting the insured or the beneficiary to claim compensation;
- reinsurance brokering business;
- providing consulting services to clients with respect to disaster and damage prevention, risk assessment and risk management; and
- other business activities approved by the CIRC.

An insurance brokerage shall open an independent designated account for client funds. The insurance premiums paid by policyholders to an insurance company and surrender value and pay-outs collected on behalf of policyholders, insured parties and beneficiaries shall only be deposited in the designated account for client funds. An insurance brokerage shall open an independent account for commissions collected. Insurance brokerages opening and using other bank accounts shall comply with the provisions of the CIRC.

Individual Insurance Brokers

The principal regulation governing individual insurance brokers is also the Insurance Brokerages Regulation, in which the term "insurance broker" refers to practitioners of insurance brokerages or personnel of insurance brokerages who draft insurance plans, process insurance application formalities and assist in claims for insurance applicants or insured parties, or who provide disaster prevention or loss prevention, risk evaluation and risk management advisory services to entrusting parties, or who engage in reinsurance brokerage businesses, etc. Insurance brokerages shall carry out practice registration for their practitioners. A practitioner of insurance brokerage shall only complete practice registration through one insurance brokerage.

Internet Insurance

The main regulation governing the operation of internet insurance business is the Measures for the Supervision of the Internet Insurance Business (《互聯網保險業務監管辦法》), or the Internet Insurance Measure, promulgated by the CIRC on December 7, 2020 and effective on February 1, 2021. Under the Internet Insurance Measure, "internet insurance business" refers to

insurance business activities in which insurance institutions conclude insurance contracts and provide insurance services by relying on the Internet. Insurance institutions include insurance companies and professional insurance intermediary companies (e.g. insurance brokerages) that are established and registered in accordance with applicable laws and regulations and with the approval of the CIRC. The Internet Insurance Measure applies to the circumstance that insurance institutions sell insurance products or provide insurance brokerage services via the internet and self-service terminal equipment, so that consumers can independently learn about the product information and complete insurance purchase on their own through the sales webpages of the self-run network platform of the insurance institutions. Some further conditions have been set out in the Internet Insurance Measures for insurance brokerages to participate in online insurance service, including but not limited to taking more measure to protect consumers' right to know and choose products independently. Where online and offline integration is involved in insurance sales or insurance brokerage business, online and offline regulatory rules shall apply to their online and offline business activities respectively; if it is impossible to separately apply regulatory rules, online and offline regulatory rules shall apply at the same time; in case of any inconsistency between the rules, the principle of compliant operation and benefiting consumers shall be adhered to.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL SECURITY

Employment

The major PRC laws and regulations that govern employment relationship are the PRC Labor Law (《中華人民共和國勞動法》), or the Labor Law, which was issued by the SCNPC on July 5, 1994 and revised on August 27, 2009 and December 29, 2018, the PRC Labor Contract Law (《中華人民共和國勞動合同法》), or the Labor Contract Law, promulgated by the SCNPC on June 29, 2007, and amended on December 28, 2012, and the Implementation Rules of the PRC Labor Contract Law (《中華人民共和國勞動合同法實施條例》) issued by the State Council on September 18, 2008 and effective on the same day. According to the aforementioned laws and regulations, labor relationships between employers and employees shall be executed in written form. The laws and regulations above impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure its employees have the right to rest and the right to receive wages no less than the local minimum wages. Employers must establish a system for labor safety and sanitation that strictly abides by state standards and provide relevant education to its employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

Social Securities

According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), which was issued by the SCNPC on October 28, 2010 and newly revised on December 29, 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance, medical insurance and other welfare plans. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its establishment and shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the requirements above shall be ordered to make correction within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and/or its directly liable person might be fined. The Interim Regulation on the

Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), issued by the State Council on January 22, 1999 and recently revised on March 24, 2019, prescribes more details concerning the social securities.

Apart from the general provisions about social insurance, specific provisions on various types of insurance are set out in the Regulation on Work-Related Injury Insurance (《工傷保險條例》), issued by the State Council on April 27, 2003 and revised on December 20, 2010, the Regulations on Unemployment Insurance (《失業保險條例》), issued by the State Council on January 22, 1999 and came into effect on the same day, and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), issued by the Ministry of Labor on December 14, 1994 and came into effect on January 1, 1995. Enterprises subject to these regulations shall provide their employees with the corresponding insurance.

Housing Provident Fund

According to the Regulation Concerning the Administration of Housing Provident Fund (《住房公積金管理條例》), implemented since April 3, 1999 and amended on March 24, 2002 and March 24, 2019, any newly established entity shall make deposit registration at the housing provident fund management center within 30 days of its establishment. The entity shall make deposit registration at the housing provident fund management center for new employees within 30 days from the date of employment.

Any entity that fails to make deposit registration of the housing provident fund or fails to open a housing provident fund account for its employees will be ordered to complete the relevant procedures within a prescribed time limit. Any entity failing to complete the relevant procedure within the time limit might be fined and/or ordered to make up the shortfall within the prescribed time limit; otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

During the Track Record Period, some of our PRC subsidiaries engaged a third-party human resources agency in paying social insurance and housing provident funds for certain of our employees. We believe that paying social insurance and housing provident funds through the third-party human resources agency will not have a material adverse effect on our business or results of operations, considering that: (i) as of the Latest Practicable Date, we had not received any administrative penalty or labor arbitration application from employees for our agency arrangement with third-party human resources agencies, (ii) our PRC Legal Adviser was of the view that the likelihood that we would be subject to administrative penalties due to paying social insurance fund through third-party human resources agencies is low if we timely rectify such non-compliance within the period stipulated by relevant authorities.

REGULATIONS RELATING TO INTELLECTUAL PROPERTIES

Patents

Pursuant to the PRC Patent Law (《中華人民共和國專利法》), or the Patent Law, which was issued by the SCNPC on March 12, 1984, and most recently revised on October 17, 2020, inventions include creation, utility model or design. Following the grant of patent rights, unless otherwise stipulated in the Patent Law, no organization or individual shall implement a patent without licensing from the patentee. According to the Patent Law, the duration of patent rights for creations, utility models and design shall be 20 years, 10 years and 15 years, respectively, commencing from the filing date.

Trademarks

Pursuant to the PRC Trademark Law (《中華人民共和國商標法》), which was promulgated on August 23, 1982 and last amended on April 23, 2019, a "first-to-file" principle with respect to trademark registration has been adopted, and registered trademarks would be valid for 10 years and might be renewed for additional ten-year period upon request from the trademark owner.

Copyrights

Pursuant to the PRC Copyright Law (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and most recently amended on November 11, 2020, Chinese citizens, legal persons or other entities shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technologies and computer software created in writing or oral or other forms.

Pursuant to the Regulation on Computers Software Protection (《計算機軟件保護條例》) promulgated on June 4, 1991 by the State Council and amended on December 20, 2001, January 8, 2011, and January 30, 2013 and the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated in 1992 and amended on February 20, 2002, the China Copyright Protection Center is responsible for software registration and shall grant certificates of registration to computer software copyright applicants.

Domain Names

In accordance with the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) which was issued by the Ministry of Information Industry on August 24, 2017 and came into effect on November 1, 2017, domain name registration services shall, in principle, be subject to the principle of "first apply, first register". A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

The MIIT released the Circular on Regulating the Use of Domain Names in Internet Information Services (《關於規範互聯網信息服務使用域名的通知》) on November 27, 2017, effective from January 1, 2018, which provides that the domain names used by the internet information service provider shall be registered and owned by such internet information service provider, and if the internet information service provider is a legal entity, the domain name registrant shall be the legal entity (or any of its shareholders), or its principal or senior manager.

Regulations Relating to Foreign Exchange

On January 29, 1996, the State Council promulgated the PRC Administrative Regulations on Foreign Exchange (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008, in accordance with which, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside the PRC, unless the prior approval is obtained from the State Administration of Foreign Exchange, or the SAFE, or its local counterparts.

On November 19, 2012, the SAFE issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), or the SAFE Circular 59, which came into effect on December 17, 2012 and was most recently revised on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE. The SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19, promulgated on March 30, 2015, effective on June 1, 2015 and partially abolished on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment, unless otherwise provided by laws and regulations; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been lent to a third party; and (d) to purchase real-estates not for self-use purposes (save for real estate enterprises).

On June 9, 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, which came into effect on the same day. The SAFE Circular 16 provides that enterprises registered in the PRC may also covert their foreign debt from foreign currency into RMB on a self-discretionary basis. Domestic institutions may, at their discretion, settle up to 100% of their foreign exchange receipts under the capital account. The SAFE may adjust the aforesaid proportion in due time based on the balance of payment.

The Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), which was issued and became effective on July 4, 2014, provides that domestic residents shall register with the SAFE and its local branches in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the domestic residents, before contributing the onshore or offshore legal assets or interests to the offshore entity. Following the initial registration, any change of basic information of the special purpose vehicle such as

individual shareholder, name and term of operation or upon capital increase or deduction, share transfer or swap, merger or division and other significant change, shall be reported to the SAFE for foreign exchange alteration of the registration formality for offshore investment in time.

The Notice on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued on February 13, 2015, effected on June 1, 2015 and partially abolished in December 30, 2019, provides that PRC residents may register with qualified banks instead of SAFE in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. The SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

The SAFE released the Notice of the SAFE on the Relevant Issues Concerning the Administration of Foreign Exchange for Domestic Individuals' Participation in Equity Incentive Programs of Overseas Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) in February, 2012, pursuant to which all individuals who participate in the same equity incentive program of an overseas listed company shall, through their domestic company, collectively entrust one domestic agency to handle the relevant matters for them including registration of foreign exchange, opening of the account and transfer and settlement of funds, and one overseas agency to handle matters including individuals' exercise of options, the purchase and sale of relevant stocks or equities and transfer of relevant funds.

REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

The PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》), or the EIT Law, promulgated by the NPC on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, as well as the Implementation Rules of the EIT Law (《中華人民共和國企業所得税法實施條例》), or the Implementation Rules, promulgated by the State Council on December 6, 2007 and revised on April 23, 2019, are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and its Implementation Rules, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. Non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25%, if no preferential tax rate is applicable, applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income are obtained outside the PRC but have an actual connection with the set-up institutions or sites. Pursuant to the EIT Law and its Implementing Rules, if a non-resident enterprise has not set up an organization or establishment in the PRC or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to income tax on its income from the PRC at a rate of 10%.

Value-Added Tax

According to the PRC Interim Regulations on Value-added Tax (《中華人民共和國增值税暫行條例》), issued on December 13, 1993 by the State Council and most recently revised on November 19, 2017, as well as the PRC Implementation Rules for the Interim Regulations on Value-Added Tax (《中華人民共和國增值税暫行條例實施細則》) issued on December 25, 1993 by the Ministry of Finance, or the MOF, and revised on December 15, 2008 and October 28, 2011, entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. Different rates of VAT would be applied to different kind of goods and services. With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the State Taxation Administration, or the SAT, issued the Notice of on Adjusting VAT Rates (《關於調整增值税税率的通知》) on April 4, 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively. Subsequently, the MOF, the SAT and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值税改革有關政策的公告》) on March 20, 2019 to make further adjustments, under which the tax rate of 16% and 10% applicable to the VAT taxable sale or import of goods shall be adjusted to 13% and 9%.

Preferential Treatment under Tax Treaties

According to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) effective from August 21, 2006 and most recently amended on December 6, 2019, dividends repatriated from a PRC entity to its Hong Kong shareholder owning more than 25% of the its capital would be entitled to a reduced withholding tax rate of 5% subject to certain conditions.

The SAT issued the Administrative Measures on Entitlement of Non-residents to Treatment under Treaties (《非居民納税人享受協定待遇管理辦法》) on October 14, 2019 and effective on January 1, 2020, which applies to non-resident taxpayers who have tax liability in China and need to claim treaty benefits. Non-resident taxpayers who make their own declaration shall make self-assessment regarding whether they are entitled to tax treaty benefits and submit the relevant reports, statements and materials as required. Also, tax authorities at any level shall, through strengthening follow-up administration for non-resident taxpayers' entitlement to tax treaty benefits, implement tax treaties accurately and prevent risks of indiscriminately application of tax treaties, tax evasion and tax avoidance.

Regulations Relating to Dividend Distributing

The principal laws, rules and regulations governing dividend distributions by foreign-invested enterprises in the PRC are the PRC Company Law (《中華人民共和國公司法》), promulgated in 1993 and latest amended in 2018 and the Foreign Investment Law (《中華人民共和國外商投資法》). Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC

company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations Relating to Merger and Acquisition

The Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, jointly promulgated by the Ministry of Commerce and other 5 departments on August 8, 2006 and subsequently amended on June 22, 2009, require that, among others (i) the purchase of an equity interest or subscription for the increase in the registered capital of non-foreign-invested enterprises, (ii) the establishment of foreign-invested enterprises to purchase and operate the assets of non-foreign-invested enterprises, or (iii) the purchase of the assets of non-foreign-invested enterprises and the use of such assets to establish foreign-invested enterprises to operate such assets, in each case, by foreign investors shall be subject to the M&A Rules. Particularly, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company through an overseas company established or controlled by it or him/her, the acquisition shall be subject to the approval of the Ministry of Commerce.

Regulations Relating to Overseas Securities Offering and Listing by Domestic Companies

On December 24, 2021, the CSRC issued 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)》), or the Draft CSRC Administration Provisions, and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》), or the Draft CSRC Filing Measures, to regulate overseas securities offering and listing activities by domestic companies either in direct or indirect form.

The Draft CSRC Administration Provisions applies to overseas offerings by domestic companies of equity shares, depository receipts, convertible corporate bonds, or other equity-like securities, and overseas listing of the securities for trading. Both direct and indirect overseas securities offering and listing by domestic companies would be regulated, of which the former refers to overseas securities offering and listing in an market made by a joint-stock company incorporated domestically, and the latter refers to securities offering and listing in an overseas market made in the name of an offshore entity, while based on the underlying equity, assets, earnings or other similar rights of a domestic company which operates its main business domestically. According to the Draft CSRC Filing Measures, if an issuer meets the following conditions, the offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) the total assets, net assets, revenues or profits of the domestic company/companies of the issuer in the most recent accounting year account for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (ii) most of the senior management in charge of business operation and management of the issuer are Chinese citizens or have domicile in the PRC, and its main places of business are located in the PRC or main business activities are conducted in the PRC.

Under the Draft CSRC Administration Provisions and the Draft CSRC Filing Measures, a filing-based regulatory system would be implemented covering both direct and indirect overseas offering and listing. For an initial public offering and listing in an overseas market, the issuer shall submit to the CSRC filing documents within 3 working days after such application is submitted.

The CSRC would, within 20 working days if filing documents are complete and in compliance with the stipulated requirements, issue a filing notice thereof and publish the filing results on the CSRC website.

Meanwhile, overseas offering and listing by domestic companies would be prohibited under certain circumstance, including but not limited to that (i) if the intended securities offering and listing falls under specific clauses in national laws and regulations and relevant provisions prohibiting such financing activities; (ii) the intended securities offering and listing by domestic companies constitute a threat to or endanger national security as reviewed and determined by competent authorities under the State Council in accordance with relevant laws and regulations; (iii) there are material ownership disputes over the equity, major assets, and core technology, etc.; (iv) the domestic company or its controlling shareholders and actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy in recent three years, or are currently under judicial investigations for suspicion of criminal offenses or under investigations for suspicion of major violations; (v) the directors, supervisors, or senior management have been subject to administrative punishments for severe violations in recent three years, or are currently under judicial investigations for suspicion of criminal offenses or under investigations for suspicion of major violations; and (vi) other circumstances as prescribed by the State Council. If a domestic company falls into the circumstances where its overseas offering and listing is prohibited prior to the offering and listing, the CSRC and the competent authorities under the State Council shall impose a postponement or termination of the intended overseas offering and listing. The CSRC may cancel the corresponding filing if the intended overseas offering and listing has been filed.

If domestic companies fail to fulfill the above-mentioned filing procedures or offer and list in an overseas market against the prohibited circumstances, they would be warned and fined up to RMB10 million and even ordered to suspend relevant business or halt operation for rectification, revoke relevant business permits or operational license in severe cases. The controlling shareholders, actual controllers, directors, supervisors, and senior management of such domestic companies would be warned and fined up to RMB5 million independently or concurrently. The securities companies and law firms failing to strictly exercise due diligence and supervise the domestic companies for compliance of relevant rules would be warned and fined up to RMB5 million. The liable personnel would be imposed warnings and fines up to RMB2 million. Also, if there is any material fact concealed or any major content falsified in the filing documents, a fine between RMB1 million and RMB10 million would be imposed on domestic companies if the securities have not already been offered, and a fine between ten percent and one hundred percent of the fund raised would be imposed if the securities have already been offered. The security companies or security service providers who fail to act with due diligence, make misrepresentation, misleading statement or material omission in the documents produced and issued domestically or overseas, which led to disruption of the domestic market order and infringement on the lawful rights and interests of domestic investors, would be, amongst others, fined up to 10 times of the service fees or RMB5 million if there are no service fees or the service fees are less than RMB0.5 million and even banned to provide service in the PRC to overseas offering and listing.

In addition, according to the Negative List which came into effect on January 1, 2022, if a domestic company engaging in business prohibited in the Negative List offers shares and lists in an overseas market, such offering and listing shall be approved by relevant competent PRC authorities. Non-PRC investors must not participate in the operation and management of the company, and their shareholding percentage shall be subject to relevant provisions on the administration of domestic securities investment by Non-PRC investors.

We have entered into the following transactions that will constitute continuing connected transactions under Rule 14A.31 of the Listing Rules upon **[REDACTED]**.

Transactions	Applicable Listing Rules		Proposed annual cap for the years ending December 31,		
			2021	2022	2023
				(RMB'000)	
Non-exempt continuing connected transactions					
Contractual Arrangements . .	Rule 14A.35 Rule 14A.36 Rule 14A.52 Rule 14A.53 Rule 14A.105	Announcement, independent shareholders' approval, annual cap, and three year term requirements	N/A	N/A	N/A

CONTRACTUAL ARRANGEMENTS

Background

As disclosed in the section headed "Contractual Arrangements", due to regulatory restrictions on foreign ownership in China, we conduct certain of our business through our Consolidated Affiliated Entities in China. Through the Contractual Arrangements, we effectively control these Consolidated Affiliated Entities and are able to derive substantially all of their economic benefits, and expect to continue to do so. See "Contractual Arrangements" for details.

Listing Rule implications

For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of 'connected person', our Consolidated Affiliated Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and its associates will be treated as connected persons of our Company as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities themselves). Therefore, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon **[REDACTED]**.

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transaction and the waiver application

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations. Our Directors also believe that our structure, whereby the financial results of our Consolidated Affiliated Entities are consolidated into our financial statements as if they were our Company's wholly-owned subsidiaries, and all the economic benefits of their business flows to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by our Consolidated Affiliated Entities and any member of our Group from time to time (including Consolidated Affiliated Entities) (the "**New Intergroup Agreements**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all such transactions to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and independent shareholders' approval requirements.

To ensure sound and effective operation of our Company with the adoption of the Contractual Arrangements, the management of our Group plans to take the following measures:

- as part of the internal control measures, major issues arising from implementation and performance of the Contractual Arrangements will be reviewed by our Board on a regular basis. Our Board will determine, as part of its periodic review process, whether legal advisers and/or other professionals will need to be retained to assist our Company to deal with specific issues arising from the Contractual Arrangements;

- matters relating to compliance and regulatory enquiries from governmental authorities, if any, will be discussed by our Board on a regular basis;

- the relevant business units and operation divisions of our Company will report regularly to the senior management of our Company on the compliance and performance conditions under the Contractual Arrangements and other related matters; and

- our Company shall comply with the conditions prescribed under the waiver granted by the Stock Exchange in connection with the continuing connected transactions contemplated under the Contractual Arrangements.

WAIVER

In respect of the Contractual Arrangements and New Intergroup Agreements, we have applied for, [and the Stock Exchange has granted us], waivers from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement to set a term of three years or less under Rule 14A.52 of the Listing Rules, and (iii) the requirement to set annual caps under Rule 14A.53 of the Listing Rules, for so long as our Shares are **[REDACTED]** on the Stock Exchange subject to the following conditions.

No change without independent non-executive Directors' approval

Save as described below, no change to the Contractual Arrangements (including with respect to any fees payable to 91health Hangzhou thereunder) will be made without the approval of our independent non-executive Directors.

No change without independent Shareholders' approval

Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will however continue to be applicable.

Economic benefits and flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Group's options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the equity interests in the Consolidated Affiliated Entities for nil consideration or the minimum amount of consideration permitted by applicable PRC laws, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to 91health Hangzhou by our Consolidated Affiliated Entities under the Contractual Arrangements, and (iii) our Group's right to control the management and operation of, as well as, in substance, a substantial portion of the voting rights of the Consolidated Affiliated Entities.

Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between, on the one hand, our Company and the subsidiaries in which our Company has direct shareholding and, on the other hand, the Consolidated Affiliated Entities, this framework may be renewed and/or reproduced without an announcement, circular, or obtaining the approval of our Shareholders (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the shareholders or directors of, or of their shareholdings in, the Consolidated Affiliated Entities, or (iii) in relation to any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of our Group.

The directors, chief executive or substantial shareholders of any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of our Group will, upon renewal and/or reproduction of the Contractual Arrangements, be treated as connected persons of our Group and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

This condition is subject to relevant PRC laws, regulations and approvals. Any such renewed or reproduced agreements will be on substantially the same terms and conditions as the existing Contractual Arrangements.

Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an ongoing basis:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;

- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report that for the relevant year (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our

Group and the Consolidated Affiliated Entities are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Shareholders as a whole;

- our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have been approved by our Board, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;

- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of 'connected person', our Consolidated Affiliated Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and its associates will be treated as connected persons of our Company as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities themselves), and therefore transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and

- our Consolidated Affiliated Entities will, for so long as our Shares are **[REDACTED]** on the Stock Exchange, provide our Group's management and our Company's auditors with full access to its relevant records for the purpose of reporting on the connected transactions.

CONFIRMATIONS

Confirmation from the Directors

Our Directors (including independent non-executive Directors) are of the view that: (i) the continuing connected transactions set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole; and (ii) it is normal business practice for the Contractual Arrangements to be of a term greater than three years.

Confirmation from the Joint Sponsors

The Joint Sponsors have reviewed the relevant documents and information provided by our Group, participated in the due diligence and discussions with our management and our PRC Legal Adviser and obtained necessary representations and confirmations from our Company and our Directors. Based on the above, the Joint Sponsors are of the view that: (i) the continuing connected transactions set out above have been and will be entered into in the Company's ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interest of the Company and its Shareholders as a whole; and (ii) it is normal business practice for the Contractual Arrangements to be of a term greater than three years.

DIRECTORS

Upon **[REDACTED]**, our Board will consist of 5 Directors, including 1 executive Director, 1 non-executive Director and 3 independent non-executive Directors, namely:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director
Mr. Kuang Ming	41	Founder, executive Director, chairman, chief executive officer	Overall strategic planning, business direction, and research and development initiatives of our Group.	December 9, 2014	August 24, 2015
Mr. Lee Kar Chung Felix	40	Non-executive Director	Providing professional advice, opinion, and guidance to our Board.	May 21, 2021	May 21, 2021
Dr. Hong Weili	52	Independent non-executive Director	Supervising and providing independent judgment to our Board.	**[REDACTED]**	**[REDACTED]**
Mr. Zhang Saiyin	42	Independent non-executive Director	Supervising and providing independent judgment to our Board.	**[REDACTED]**	**[REDACTED]**
Mr. Ang Khai Meng	61	Independent non-executive Director	Supervising and providing independent judgment to our Board.	**[REDACTED]**	**[REDACTED]**

Save as may be disclosed below, none of our Directors and members of senior management are related to other Directors or members of senior management.

Executive Director

Mr. Kuang Ming (匡明), aged 41, is our founder, executive Director, chairman and chief executive officer of our Company. Mr. Kuang is primarily responsible for the overall strategic planning, business direction and research and development initiatives of our Group. Mr. Kuang is currently the legal representative and an executive director and/or general manager of certain subsidiaries of our Group, including Hangzhou Kangsheng, Hangzhou Kangming, 91health Shanghai, Shanghai Kangmeng Health Management Consultation Co., Ltd, Hainan Zhiyun Distance Medical Center Co., Ltd, Hangzhou Zhiyun Qikang Biomedical Co., Ltd, Hainan Youyi Technology Co., Ltd, Shandong Guoyitang Pharmaceutical Chain Co., Ltd, Yinbang Insurance Brokerage, Shenzhen Yinsiubao Technology Co., Limited, 91health Hangzhou, Jiangsu Xinwange Medical Technology Co., Ltd, Hainan Zhiyun Internet Hospital Co., Ltd.

Mr. Kuang has over 15 years of experience in healthcare and technology industries in the PRC and the United States. Prior to founding of our Company, Mr. Kuang was a senior strategic marketing manager in APAC at Johnson & Johnson (NYSE: JNJ) between July 2012 and January 2015. From October 2011 to April 2012, Mr. Kuang worked in the US division of Johnson & Johnson. From April 2006 to September 2010, Mr. Kuang served in various technical roles for APAC Business Development at Intel China.

Mr. Kuang received a bachelor's degree in Electrical Engineering from Tongji University in July 2002, and a master's degree in Communication Engineering from Shanghai Jiaotong University in March 2006. He also received a master's degree in Business Administration from Cambridge Judge Business School in March 2012.

Non-executive Director

Mr. Lee Kar Chung Felix (李家聰), aged 40, was appointed as a Director of our Company on May 21, 2021 and redesignated as a non-executive Director of our Company with effect from **[REDACTED]**. He is primarily responsible for supervising and providing guidance and independent judgement to the Board.

Mr. Lee is currently a senior vice president of Chow Tai Fook Enterprises Limited ("**CTFE**") with responsibilities in making investments in the healthcare sector in Asia and globally since September 2014.

Mr. Lee is also an executive director of UMP Healthcare Holdings Limited (a company listed on the Stock Exchange, stock code: 722) since August 2015 and an independent non-executive director of China Resources Medical Holdings Company Limited (a company listed on the Stock Exchange, stock code: 1515, formerly known as China Resources Phoenix Healthcare Holdings Co., Ltd.) since August 2015 and an independent non-executive director of Asymchem Laboratories (Tianjin) Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002821, and the Stock Exchange, stock code: 6821) since June 2021.

He has over 15 years of experience in law and finance. He served as a solicitor with the law firm Freshfields Bruckhaus Deringer from January 2005 to February 2008, an analyst in the investment banking department of UBS AG, Hong Kong branch from March 2008 to January 2009. He then joined Deutsche Bank AG, Hong Kong branch and last held the position of director in the Corporate Finance Division, where he worked from January 2009 to August 2014.

Mr. Lee obtained a bachelor's degree of Laws from the London School of Economics and Political Sciences and a postgraduate certificate in Laws from the University of Hong Kong in July 2003 and June 2004, respectively. He is a solicitor of the High Court of Hong Kong since September 2007 and a solicitor (non-practising) in the Senior Courts of England and Wales since February 2013.

Independent non-executive Directors

Dr. Hong Weili (洪偉力), aged 52, will be our independent non-executive Director with effect from **[REDACTED]**, primarily responsible for supervising and providing independent judgement to the Board.

Dr. Hong has extensive experience in finance and investment in both Chinese and overseas financial institutions and capital markets. He was the president and chief research officer of CMC Holdings from November 2016 to September 2018. Prior to joining CMC, he was a partner of the Gopher Asset Management from February 2014 to March 2016, in charge of private equity and venture capital funds of funds ("**PE/VC FOFs**") and direct investments. Dr. Hong also served as the managing partner of KTB Ventures from April 2008 to April 2012, and the head of business development in ING China from June 2004 to July 2007.

Dr. Hong also serves as an independent director for Dingdong (Cayman) Limited (a company listed on the New York Stock Exchange, stock symbol: DDL), Chindata Group Holdings Limited (a company listed on the Nasdaq Stock Market, stock symbol: CD), RISE Education Cayman Ltd (a company listed on the Nasdaq Stock Market, stock symbol: REDU), and Luolai Lifestyle Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002293).

Dr. Hong currently serves as a guest professor and a supervisor of the master degree program in the School of Economics of Fudan University; and a guest professor of the Fanhai International School of Finance. He is also the vice chairman of the Global Alumni Association of the Fudan University.

Dr. Hong received both of his bachelor's and doctor's degrees in Economics from Fudan University.

Mr. Zhang Saiyin (張賽音), aged 42, will be our independent non-executive Director with effect from **[REDACTED]**, primarily responsible for supervising and providing independent judgement to the Board.

Mr. Zhang has served as a director for MINISO Group Holding Limited ("**MINISO**") (a company listed on the New York Stock Exchange, stock symbol: MNSO) since December 2018, and chief financial officer and executive vice president since October 2018. Prior to joining MINISO, Mr. Zhang served as the chief financial officer between June 2015 and July 2017 and multiple finance leadership roles between April 2011 and May 2015 at China Resources Textiles (Holdings) Company Limited and China Resources Fashion (Holdings) Company Limited, both of which are indirectly wholly owned subsidiaries of China Resources (Holdings) Company Limited. From September 2009 to March 2011, Mr. Zhang worked as a manager in the finance department of Shenzhen Jinjia Color Printing Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002191, now renamed as "Shenzhen Jinjia Group Co., Ltd."). Between July 2005 and September 2009, Mr. Zhang served as a senior auditor at Deloitte, Shenzhen branch. He worked at the international financing department of ZTE Corporation (a company listed on the Shenzhen Stock Exchange, stock code: 000063, and the Stock Exchange, stock code: 763) between March 2004 and July 2005.

Mr. Zhang received his bachelor's degree in Accounting from Huazhong Agricultural University in China and his master's degree in Accounting and Finance from University of Birmingham in the United Kingdom. Mr. Zhang is also a fellow of Association of Chartered Certified Accountants.

Mr. Ang Khai Meng, aged 61, will be our independent non-executive Director with effect from **[REDACTED]**, primarily responsible for supervising and providing independent judgement to the Board.

Mr. Ang has extensive experience in innovative pharma, generics, biologics, devices, diagnostics, consumables, and consumer health. He has been a senior advisor in the Shanghai office of InterChina Consulting since January 2021.

In September 2016, Mr. Ang started to serve as the head of China at Roche Diabetes Care (an independent division of Roche Group). Prior to this, Mr. Ang joined as a vice president of Hospira in July 2011. Mr. Ang also worked as a business director at Vascular Business Unit of Medtronic in January 2007.

Mr. Ang received his bachelor's degree in Science from Australian National University in Australia, in 1984. Mr. Ang received his Master's degree in Business Administration from Ohio State University in the United States, in 1985.

SENIOR MANAGEMENT

Our senior management team comprises of Mr. Kuang, Ms. Xu Lili, Mr. Wang Jingxu, Mr. Li Gang and Ms. Zuo Yinghui. Please see Mr. Kuang's biography in the section headed "Directors — Executive Director" in this section above.

Ms. Xu Lili (徐黎黎), aged 41, has served as the chief financial officer of our Company since October 2020, primarily responsible for overseeing the corporate finance, handling investor relationships, and overseeing all the investments and acquisitions of the group.

Ms. Xu has more than 16 years of experience in financial management. From March 2014 to September 2020, Ms. Xu was the chief financial officer and executive director of Tongdao Liepin Group (a company listed on the Stock Exchange, stock code: 6100). Prior to joining Tongdao Liepin Group, Ms. Xu held various leadership positions at General Electric Company (a company currently listed on the New York Stock Exchange, stock symbol: GE), with her last role as the chief financial officer of GE Power Generation Services China, from January 2005 to March 2014.

Ms. Xu also serves as an independent director of MINISO Group Holding Limited (a company listed on the New York Stock Exchange, stock symbol: MNSO) and Yalla Group Limited (a company listed on the New York Stock Exchange, stock symbol: YALA).

Ms. Xu received a bachelor's degree in International Business from Nanjing University in June 2003 and a master of science degree in local Economic Development from the London School of Economics and Political Science in November 2004. Ms. Xu is a public accountant certified by the Board of Accountancy of Washington State of the United States since June 13, 2012.

Mr. Wang Jingxu (王靜旭), aged 53, has served as our vice president for Hospital Business & Development of our Group since August 2018, primarily responsible for our in-hospital solution business.

Mr. Wang has 30 years of experience in life science & pharmaceutical industry. Prior to joining our Group, he worked at Chengdu Kanghong Pharmaceutical Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002773) from March 2017 to August 2018 where he led generic drug business. He also served various senior roles in various of domestic and global pharmaceutical companies, including Luye Pharma Group Ltd. (a company listed on the Stock Exchange, stock code: 2186), Abbott Laboratories (a company currently listed on the New York Stock Exchange, stock symbol: ABT), and GlaxoSmithKline plc. (a company currently listed on the London Stock Exchange and the New York Stock Exchange, stock symbol: GSK).

Mr. Wang obtained a bachelor's degree in Microbiology from Shandong University in July 1991.

Mr. Li Gang (李剛), aged 41, has served as the head of technology department of our Company since March 2016, primarily responsible for the research and development of products and technologies of our Company.

Mr. Li has extensive experience in computer science and technology. Prior to joining our Group, Mr. Li served as a technology expert at Alibaba Group Holding Limited, a company currently listed on the New York Stock Exchange (stock symbol: BABA) and Stock Exchange (stock code: 9988), from July 2010 to June 2015. From June 2007 to June 2010, Mr. Li was a technology manager at Beijing Youjie Xinda Information Technology Co., Ltd.

Mr. Li obtained a bachelor's degree in computer science and technology from Yantai University in Yantai, the PRC, in June 2005.

Ms. Zuo Yinghui (左穎暉), aged 46, has served as the vice president of supply chain and customer services department of our Company since January 2015, She is primarily responsible for supply chain management and business development of our Company.

Prior to joining our Group, Ms. Zuo held various positions at Johnson & Johnson (Shanghai) Medical Equipment Co. Ltd, a subsidiary of Johnson & Johnson (a company currently listed on the New York Stock Exchange (stock symbol: JNJ)) from October 1999 to December 2014, with her last role as the Senior Sales Operation Manager.

Ms. Zuo received a bachelor's degree in English from Shanghai University in Shanghai, the PRC, in July 1997.

Save as disclosed above, none of our Directors hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this document. See "Appendix IV — Statutory and general information" in this document for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO). As of the Latest Practicable Date, save as disclosed in this document,

- none of the Directors or members of senior management is related to any other Directors and members of senior management;

- none of the Directors or members of senior management holds any interest in the Shares which would be required to be disclosed pursuant to Part XV of the SFO; and

- none of the Directors had any interest in any business, which competes or is likely to compete, either directly or indirectly with our business.

Save as disclosed in this document, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, as of the Latest Practicable Date, there were no other matters in respect of each of our Directors which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there were no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

JOINT COMPANY SECRETARIES

Ms. Liu Mengya (劉夢雅), aged 32, is our joint company secretary and the finance director of our Group since October 2020. She is primarily responsible for investor relations and finance operation of the Company.

Prior to joining our Group, Ms. Liu served as the Asia finance director in GE Healthcare Digital from August 2020 to October 2020. From August 2018 to July 2020, Ms. Liu was a healthcare service FP&A and product manager at GE Medical systems Trade and Development (Shanghai) Co., Ltd. Prior to this, Ms. Liu graduated from the global leadership program at GE Company in January 2017 after serving as one of the team members of GE Corporate Audit Staff. In July 2011, Ms. Liu began her career at GE Corporate (China) Limited as a financial management program trainee after her graduation.

Ms. Liu obtained her bachelor's degree in Economics from Shanghai Jiaotong University in 2011.

Ms. Fung Wai Sum (馮慧森), aged 38, is our joint company secretary and a senior manager of corporate services of Tricor Services Limited. She is a chartered secretary, a chartered governance professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Ms. Fung obtained her bachelor's degree in Business Administration in Operations Management and Economics from The Hong Kong University of Science and Technology in November 2004, and her master's degree in Professional Accounting and Corporate Governance from City University of Hong Kong in November 2008.

Ms. Fung has over 15 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Fung is currently the company secretary of Tongdao Liepin Group (a company listed on the Stock Exchange, stock code: 6100) and Greenland Hong Kong Holdings Limited (a company listed on the Stock Exchange, stock code: 0337), and the joint company secretary of FriendTimes Inc. (a company listed on the Stock Exchange, stock code: 6820) and Shenzhen Neptunus Interlong Bio-technique Company Limited (a company listed on the Stock Exchange, stock code: 8329).

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Audit committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The audit committee comprises three members, namely Mr. Zhang Saiyin, Dr. Hong Weili and Mr. Lee Kar Chung Felix, with Mr. Zhang Saiyin (being our independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise) as chairman of the audit committee.

Remuneration committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee comprises three members, namely Dr. Hong Weili, Mr. Zhang Saiyin and Mr. Kuang Ming, with Dr. Hong Weili as chairman of the remuneration committee.

Nomination committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee comprises three members, namely Mr. Kuang Ming, Dr. Hong Weili and Mr. Zhang Saiyin, with Mr. Kuang Ming as chairman of the nomination committee.

Corporate Governance Code

We aim to achieve high standard of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules save for the below.

Code provision A.2.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, recommends, but does not require, that the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company deviates from this provision because Mr. Kuang performs both the roles of the Chairman of the Board and the chief executive officer of the Company. Mr. Kuang is the founder of the Group and has extensive experience in the business operations and management of our Group. Our Board believes that vesting the roles of both chairman and chief executive officer to Mr. Kuang has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning. This structure will enable our Company to make and implement decisions promptly and effectively. Our Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees and three independent non-executive Directors. Our Board will reassess the division of the roles of chairman and the chief executive officer from time to time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

Board diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the nomination committee will consider a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge and industry experience. Pursuant to the board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

Our Directors have balanced mix of knowledge, skills and experiences, including management, strategic planning, law, finance, investment, innovative pharma, generics, healthcare and technology industries. They obtained degrees in various areas such as electrical engineering, law, economics, accounting and science. The ages of our Directors range from 39 to 61 years old.

Going forward, we will continue to work to enhance gender diversity of the Board. Our Board will appoint at least one female director within one year after **[REDACTED]** and our nomination committee will identify and recommend multiple suitable female candidates to our Board for its consideration on appointment of a Director. In addition, female representatives of our investors are also considered as potential candidates for Board appointments. With reference to our board diversity policy, we will also ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential

successors to our Board in due time to ensure gender diversity of the Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

Management presence

Pursuant to Rule 8.12 of the Listing Rules, a listed issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Accordingly, we have applied for[, and the Stock Exchange has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules. See "Waivers from Strict Compliance with the Listing Rules — Waiver in Respect of Management Presence in Hong Kong" for further details.

REMUNERATION

Our Directors receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses but excluding share based payments) for our Directors for the years ended December 31, 2019, 2020 and 2021 was approximately RMB308,000, RMB323,000 and RMB1,515,000, respectively. None of our Directors waived any remuneration during the aforesaid periods.

The five highest paid individuals of our Group for the years ended December 31, 2019, 2020 and 2021 included one Director, respectively. The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses but excluding share-based payments) for the remaining highest paid individuals for the years ended December 31, 2019, 2020 and 2021 was approximately RMB2,864,000, RMB3,272,000 and RMB5,420,000, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2019, 2020 and 2021 by our Company to our Directors or senior management.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director or any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

COMPLIANCE ADVISER

We have appointed Anglo Chinese Corporate Finance, Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the **[REDACTED]** or **[REDACTED]** of its **[REDACTED]** or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the **[REDACTED]** and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the **[REDACTED]** and the Share Subdivision (assuming the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme), the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of our Company or any other member of our Group:

Substantial shareholders of our Company

Name of substantial Shareholder	Capacity/Nature of interest	Number of Shares immediately after the [REDACTED]	Approximate percentage of voting rights in our Company as of the Latest Practical Date	Approximate percentage of voting rights in our Company immediately after the [REDACTED][(1)]
Mr. Kuang[(2)(3)]	Interest in controlled corporations/Interest of a party to an agreement regarding interest in the Company	**[REDACTED]**	15.74%	**[REDACTED]**
HaoYuan health Limited (formerly known as ClouDr Limited)[(2)]	Beneficial owner	**[REDACTED]**	15.74%	**[REDACTED]**
Prime Forest Assets Limited[(4)]	Beneficial owner	**[REDACTED]**	12.91%	**[REDACTED]**

(1) This assumed that the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme.

(2) The entire interest in HaoYuan health Limited is held through a trust which was established by Mr. Kuang (as settlor) and the beneficiaries of which include himself and his family members.

(3) Each of SIG Global China Fund I, LLLP, FORTUNE SEEKER INVESTMENTS LIMITED, Treasure Harvest Investments Limited and Tembusu HZ II Limited (the "**Proxy Grantor**") has entered into a voting agreement with Mr. Kuang before **[REDACTED]**, pursuant to which each Proxy Grantor granted Mr. Kuang, as their respective attorney, a voting proxy of **[REDACTED]** of the Shares that each Proxy Grantor holds, in our Company upon **[REDACTED]**, representing an aggregate of approximately **[REDACTED]** voting power in our Company immediately upon the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme). Together with the voting power in our Company

that Mr. Kuang holds through HaoYuan health Limited, Mr. Kuang will control an aggregate of approximately **[REDACTED]** voting power in our Company immediately upon the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme). See section headed "History, Reorganisation, and Corporate Structure — Voting Agreements" for details.

(4) Prime Forest Assets Limited, a limited liability company incorporated under the laws of British Virgin Islands, is established for the purpose of holding Shares pursuant to the **[REDACTED]** Equity Incentive Scheme. The **[REDACTED]** Equity Incentive Scheme shall be administered by the Board, or a committee consisting of one or more members of the Board of the of the Company (the "**Scheme Committee**" or "**Scheme Administrator**"), which has the exclusive power, authority and discretion to, administer the **[REDACTED]** Equity Incentive Scheme. In practice, the Board has delegated the administration of the **[REDACTED]** Equity Incentive Scheme to the remuneration committee of the Company (the "**Remuneration Committee**"), which acts as the Scheme Administrator. The Remuneration Committee comprises Dr. Hong Weili, Mr. Zhang Saiyin and Mr. Kuang Ming, with Dr. Hong Weili as chairman. As such, Mr. Kuang is not able to control the Remuneration Committee. As at the Latest Practicable Date, Ms. Mengya Liu, an employee of the Company, was the sole member of the advisory committee for Prime Forest Assets Limited for handling of the administrative matters for the **[REDACTED]** Equity Incentive Scheme and she will take instruction from the Scheme Administrator, i.e. the Remuneration Committee of the Company.

Except as disclosed above and in the section headed "Appendix IV — Statutory and general information", our Directors are not aware of any other person who will, immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme) have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of our Company or any other member of our Group.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of our authorised share capital and the amount in issue and to be issued as fully paid or credited as fully paid immediately prior to and following completion of the **[REDACTED]**.

Share capital as at the date of this document

Authorised share capital

Number	Description of share	Aggregate nominal value
602,047,442	Ordinary share with a par value of US$0.0001 each	US$60,204.74
397,952,558	Preferred Share with a par value of US$0.0001 each	US$39,795.25
1,000,000,000	**Total**	**US$100,000**

Issued share capital

Number	Description of share	Aggregate nominal value
170,085,661	Ordinary share with a par value of US$0.0001 each	US$17,008.57
397,952,558	Preferred Share with a par value of US$0.0001 each	US$39,795.26
568,038,219	**Total**	**US$56,803.82**

Share Capital immediately following completion of the [REDACTED]

Pursuant to the resolutions of the Shareholders on June 10, 2022, subject to the **[REDACTED]** becoming unconditional and with effect immediately prior to the **[REDACTED]**, our Company's Preferred Shares will be reclassified, redesignated and converted into Shares. The tables below assumes (i) the Preferred Shares will be reclassified and redesignated as Shares, (ii) the **[REDACTED]** becomes unconditional and the **[REDACTED]** are issued pursuant to the

[REDACTED], (iii) the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme, and (iv) no Shares are issued or cancelled and no other potential change to the share capital materialise as described in "— Potential changes to share capital" below.

	Number of Share	Aggregate nominal value
Authorized share capital	1,000,000,000	US$100,000
— Shares in issue as of the date of this document	568,038,219	US$56,803.82
— Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total issued share capital on completion of the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Ranking

The **[REDACTED]** will rank equally with all Shares currently in issue or to be issued as mentioned in this document and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meeting and class meeting are required

Our Company may by ordinary resolution (i) increase its share capital by the creation of new shares; (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (iii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person; and (iv) sub-divide its shares or any of them into shares of smaller amount. In addition, our Company may by special resolution reduce its share capital or any capital redemption reserve subject to any conditions prescribed by the Cayman Companies Act.

See "Summary of the constitution of our Company and Cayman Islands company law — Articles of Association — Alteration of capital" in Appendix III for further details.

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated only with (in addition to a special resolution to amend the Memorandum or the Articles) the consent in writing of the holders of not less than

three-fourths in nominal value of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of the shares of that class by members holding shares representing three-fourths in nominal value of the shares Present (as defined in the Articles) and voting at such meeting.

See "Summary of the constitution of our Company and Cayman Islands company law — Articles of Association — Variation of rights of existing shares or classes of shares" in Appendix III for further details.

General mandate to issue Shares

Subject to the **[REDACTED]** becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares or securities convertible into Shares of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the **[REDACTED]** (but excluding any Shares which may be issued pursuant to the exercise of the **[REDACTED]**; and

- the total number of Shares repurchased by our Company pursuant to the authority referred to in "— General mandate to repurchase Shares" below.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and

- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

General mandate to repurchase Shares

Subject to the **[REDACTED]** becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue immediately following completion of the **[REDACTED]** (but excluding any Shares which may be issued pursuant to the exercise of the **[REDACTED]**).

This mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be **[REDACTED]** and which is recognized by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and

- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

See "Statutory and general information — A. Further information about our Group — Explanatory statement on repurchase of our own securities" in Appendix IV for further details of this general mandate to repurchase Shares.

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

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

For the purpose of this section, unless the context otherwise requires, references to 2019, 2020 and 2021 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We 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. 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. 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 and is capable of connecting, through our proprietary AIoT devices, to some of the medical devices that we sell; 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.

We have diverse monetization methods across our three service offerings. Under our in-hospital solution, we generate revenue primarily through (i) sales of hospital supplies, including medical devices, consumables and pharmaceuticals to hospitals; (ii) 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; and (iii) subscription fees for our hospital SaaS. Under our pharmacy solution, we generate revenue primarily through (i) sales of pharmacy supplies, including medical devices, consumables, pharmaceuticals and miscellaneous to pharmacies and (ii) subscription fees for our pharmacy SaaS, which we launched in 2019. Under our individual chronic condition management solution, we generate revenue primarily through sales of chronic condition products, including medical devices, consumables, pharmaceuticals and miscellaneous, membership fees, and others including insurance brokerage services and advertisement agent services.

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. 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, issuance cost of financial liabilities at FVTPL, and **[REDACTED]**, was RMB149.5 million, RMB636.3 million and RMB444.0 million in 2019, 2020 and 2021, respectively. See "— Adjusted Net Loss (Non-IFRS Measure)" for details. As a fast-growing company with a relatively limited operating history, our ability to forecast our future results of operations is limited and subject to uncertainties, including our ability to plan for and model future growth. Our revenue growth in recent periods may not be indicative of our future performance.

BASIS OF PRESENTATION

Our historical financial information for the years ended December 31, 2019, 2020 and 2021 has been prepared in accordance with all applicable IFRSs issued by the International Accounting Standards Board. The preparation of the historical financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its

judgment in the process of applying our accounting policies. For the purpose of preparing our historical financial information, we have adopted all applicable new and revised IFRSs that were effective during the Track Record Period, except for any new standards or interpretations that are effective for the accounting period beginning on January 1, 2021. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2021 are set out in Note 33 to the Accountants' Report included in Appendix I to this document. Inter-company transactions, balances and unrealized gains or losses on transactions between companies in our Group are eliminated on consolidation.

KEY OPERATING DATA

The following tables set forth the key operating data for the years 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 8.4 million as of December 31, 2019 to 17.1 million as of December 31, 2020, and further 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.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations are affected by general factors affecting China's healthcare industry, in particular the chronic condition management industry, the pharmaceutical, consumable and medical device industry, the internet hospital industry, and the hospital and pharmacy SaaS industry, including China's overall economic growth, healthcare system reform, favorable regulatory environment, and digitalization and transformation of the healthcare value chain. Unfavorable changes in any of these general industry conditions could negatively affect the demand for our services and materially and adversely affect our results of operations.

In particular, we believe the following factors are the principal factors that have affected and will continue to affect our business, financial condition, results of operations and prospects:

- Trends in China's economic conditions and development of China's chronic condition management industry;

- Our ability to expand our hospital coverage across China and drive hospitals' engagement on our platform;
- Our ability to scale our network of industry participants;
- Our ability to enhance and expand our chronic condition management services for patients;
- Our ability to improve operating efficiency and achieve profitability; and
- Our ability to effectively invest in innovative product offerings and technologies.

Trends in China's Economic Conditions and Development of China's Chronic Condition Management Industry

Our business, financial condition, results of operations and prospects are significantly affected by the market demand for our chronic condition management products and services, which in turn is linked to China's overall economic conditions and the development of China's chronic condition management industry. China's chronic condition management industry is expected to be driven by various factors that include aging population and rising prevalence of chronic conditions, increasing awareness of health management, digitalization of healthcare infrastructure and favorable government policies. According to Frost & Sullivan, healthcare expenditures for chronic conditions in China are expected to grow from RMB4,100.6 billion in 2020 to RMB12,479.9 billion in 2030. See "Industry Overview — Overview of China's Chronic Condition Management Market." In addition, the continuous digital transformation of China's healthcare system as well as the growing market and social acceptance of internet healthcare has contributed to the increasing popularity of our solutions. We are the largest digital chronic condition management solution provider in China, according to the Frost & Sullivan Report, 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, which we believe positions us well to capture the tremendous opportunities that will be brought by the favorable trends in China's chronic condition management industry.

Our business, financial condition, results of operations and prospects are also affected by government policies and regulations applicable to China's healthcare industry. Government regulation and enforcement are evolving and subject to significant uncertainties, which affects the manner in which we conduct our business as well as our ability to further grow and expand our business. 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."

Our Ability to Expand Our Hospital Coverage across China and Drive Hospitals' Engagement on Our Platform

Because China's healthcare services are heavily concentrated in public hospitals with more medical resources and doctor-patient relationships, we have adopted a "hospital-first" strategy to provide a refined chronic condition management experience for patients. As our partnerships with hospitals deepen, we are able to monetize by providing them with our in-hospital solution. Our hospital-first strategy has laid solid foundations for us to extend our businesses to out-of-hospital systems including online or in-person consultation, prescription services, real-time medical support, and remote chronic condition management. Our long-term success depends on our ability to continue to successfully execute our hospital-first strategy and further expand our hospital network across China.

We have been actively expanding our hospital network nationwide. Through the installation of *ClouDr. Yihui*, our first-of-its-kind chronic condition management SaaS product, we have further deepened our relationship with hospitals and expanded our base of transacting customers for our hospital SaaS solution.

As we expand our hospital network, we have been actively driving hospitals' engagement on our platform by enhancing and expanding our product and service offerings. We provide hospitals with hospital supplies including medical devices, consumables and pharmaceuticals. We are the exclusive distributor for several glucose monitoring devices and provide hospitals with access to a rich supply of high-quality glucose monitoring devices at competitive prices. We have also launched digital marketing services for pharmaceutical companies, through which hospitals and doctors gain access to variety of information of pharmaceuticals that helps them make more informed clinical decisions.

Our Ability to Scale Our Network of Industry Participants

Our results of operations and prospects also hinge on our ability to scale our network of industry participants. Leveraging our deep connections with hospitals, we have built up our platform spanning the chronic condition management value chain. As of December 31, 2021, we had accumulated 172,000 pharmacies and over 87,000 registered doctors on our platform, providing seamless and low-stress experience to 23.8 million registered users. Our network thus allows us to connect various industry participants across the value chain.

The appeal of our platform depends on our ability to enhance and expand our product and service offerings. Utilizing our existing coverage, doctor-patient relationships, and supply chain capabilities, we will continue to introduce innovative and effective services tailored to customers' and users' evolving needs while maintaining our service quality in order to further enhance user experience and increase user stickiness. For example, we are enriching our service offerings to provide holistic solutions for industry stakeholders. We launched our pharmacy SaaS in 2019,

which makes online consultation and prescription services easily accessible to walk-in pharmacy patients. We also provide other services to pharmacies through our pharmacy SaaS, including new retail and inventory management. For patients, on the other hand, we will continue to invest in developing and offering a wider array of services.

Our vibrant platform brings significant value to upstream participants along the healthcare value chain, such as pharmaceutical and medical device companies. Leveraging our existing network across hospitals and pharmacies, we plan to continue penetrating the upstream value chain, which in turn can help enhance our portfolio of product and service offerings. For example, we will continue to expand our partnerships with upstream pharmaceutical and medical device companies and provide pharmaceuticals and medical devices tailored to the needs of our end customers.

We currently generate revenue primarily from sales of medical devices, consumables, pharmaceuticals and miscellaneous, service fees from providing digital marketing services, and subscription fees for our SaaS products for hospitals and pharmacies. See "— Description of Major Components of Our Results of Operations — Revenues." Our future success is significantly dependent on our ability to further penetrate the healthcare system, expand our network and drive customers engagement. As we increase our interactions with various participants, we will further explore and diversify our monetization channels.

Our Ability to Enhance and Expand Chronic Condition Management Services for Patients

Through our expanding coverage of doctors and patients, we have helped establish an increasing number of real-world doctor-patient relationships. Those relationships enable us to build trust with patients and attract them to our platform from diverse channels. We plan to further enrich our offerings for patients so that we can better serve patients throughout the lifespan of their chronic condition management.

Our chronic condition management solution today cover not only diabetes, but many other chronic conditions as well. With AIoT-enabled blood glucose meters, blood pressure meters and other AIoT devices, patients with different chronic conditions who have access to our individual chronic condition management solution and others can easily log their results and monitor the status of their conditions. We also offer online coaching, consultation and prescription services that allow patients with different chronic conditions to easily receive remote medical care and interact with medical professionals. We are enriching our solution for patients on multiple fronts, including cooperation with partners to introduce portable devices for self-management integrating all major medical indicators such as glucose and blood pressure, exploring to upgrade our AIoT Center to

support a wider array of medical devices such as noninvasive glucose devices to enable continuous monitoring and blood pressure monitors for hypertension condition management in the future, and expanding our supplies of pharmaceuticals and medical devices to meet patients' growing needs.

Our Ability to Improve Operating Efficiency and Achieve Profitability

Leveraging our digital chronic condition management platform, we will continue to improve our operating efficiency. As more hospitals and pharmacies adopt our SaaS products, more doctors and pharmacists shift to our platform, and we are able to provide pharmaceutical companies with more effective digital marketing services. As our services are more widely recognized, we expect to attract and acquire more industry participants, drive increasing interactions among them, identify and utilize more upselling opportunities and further grow our business volume in an increasingly efficient manner.

Our ability to achieve profitability depends on how we manage our cost of revenues and expenses. We believe our business model is highly scalable and has significant potential for economies of scale. Our hospital-first strategy and comprehensive solutions have helped us build an extensive network of hospitals and pharmacies, through which we have diversified our monetization channels and are able to offer our customers innovative solutions with higher margins. As a result, we have achieved significant progress on new business initiatives including service revenue streams such as digital marketing services. For example, our revenue from digital marketing services grew from RMB35.4 million in 2019 to RMB149.4 million in 2020. As a result of such efforts and progress, our overall gross margin increased significantly from 11.7% in 2019 to 27.7% in 2020 and further to 32.4% in 2021. The improvement of our gross margin during the Track Record Period is also driven by our increased pricing power benefiting from our growing business scale and improving supply chain capabilities.

Building on our advanced SaaS products as well as industry-wide brand recognition, we have maintained high customer stickiness. Leveraging our platform, we seek to reduce selling and marketing expenses as percentages of our revenue and enjoy higher operating leverage.

Our Ability to Effectively Invest in Innovative Product Offerings and Technologies

Our results of operations also depend on our ability to use technologies to empower our business. Accordingly, we intend to continue to invest in innovative product offerings and technologies to further digitalize and better serve China's chronic condition management industry.

In relation to our in-hospital solution, we are exploring to further upgrade our AIoT capabilities to achieve connectivity to a wider array of medical devices. Currently, our proprietary AIoT devices can connect to third-party medical devices, including mainstream glucose meters and

vital sign monitors. We plan to further develop our AIoT capabilities to support more medical devices in hospitals such as blood oxygen monitors, and user-friendly devices such as sensor-enabled continuous glucose monitors.

For our pharmacy end customers, we have expanded our pharmacy SaaS to introduce value-added services including new retail and inventory management to help them expand online outreach and optimize business operations. For users of our individual chronic condition management solution and others, we provide more tailor-made medical services for chronic conditions backed by CDSS (clinical decision support system) technologies.

During the years ended December 31, 2019, 2020 and 2021, we spent RMB23.8 million, RMB132.4 million and RMB236.2 million on research and development, respectively. Our relentless focus on technologies, product development, and user experience, together with our hospital-first strategy, has propelled us to become the largest digital chronic condition management solution provider in China, according to the Frost & Sullivan Report, 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, we expect to continuously invest significant resources to enhance our technology capabilities, drive the digitalization of chronic condition management, and develop more innovative products and solutions. We also expect to continue to invest in the fields of AIoT and data analytics to strengthen our technological advantage and further solidify our position as the market leader.

IMPACT OF COVID-19 ON OPERATIONS

Since late January 2020, the outbreak of a novel strain of coronavirus, later named COVID-19, has affected China and many parts of the world. In order to contain the spread of the coronavirus, the Chinese government imposed widespread lockdowns, closure of workplaces and restrictions on mobility and travel to contain the spread of the virus, including restrictive visit measures for venues such as hospitals. The COVID-19 pandemic also resulted in temporary closures of many corporate offices, manufacturing facilities and factories across China. Many of the quarantine measures within China have since been relaxed. However, relaxation of restrictions on economic and social activities may lead to new cases which may lead to re-imposed restrictions. China has experienced upticks in cases that have prompted selective restrictions in affected regions. For example, in the summer of 2021, there was an uptick in cases in Nanjing, Jiangsu Province, attributed to the highly contagious Delta variant. The outbreak in Nanjing spread to many other provinces and cities in China. Certain travel restrictions and other limitations were imposed in various places in response to these new cases. In September 2021, there was another outbreak in Fujian province, which led to the imposition of travel curbs and other restrictive measures by the local governments.

During the early stage of the COVID-19 outbreak, primarily due to the restrictions on economic and social activities imposed by the Chinese government, restricted access to hospitals, and the economic uncertainties caused by the COVID-19 outbreak, we saw a decrease in the demand for certain medical products and services from hospitals, pharmacies and individuals and delays in the installation of our SaaS products by certain hospitals and pharmacies. As the situation in China eased, we have resumed normal operations and have seen an increase in the demand for our solutions and a bounce-back in the demand for our products. The negative impact of the COVID-19 outbreak during the early stage did not materially affect our financial performance. Our revenue 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. The recent upticks in cases in different parts of China have not had a material impact on our operations. However, since early 2021, the installation of our hospital SaaS has been affected due to social distancing and other precautions taken by many hospitals.

In addition, certain impacts from the COVID-19 outbreak on our financial performance in 2020 and early 2021 may be one-off and non-recurring. In 2020, we saw an increase in the demand for our online consultation, prescription and retail services, as more patients became accustomed to online medical services in order to minimize potential exposure to the COVID-19 virus. However, any such increase in demand for our services as a result of the shift in consumption pattern associated with the COVID-19 outbreak may be temporary and may not be sustainable after the COVID-19 outbreak ends. In addition, after the COVID-19 outbreak ends, we may stop receiving one-off benefits from COVID-19-related government policy support, such as relief from social security payment obligations.

Although there is still considerable uncertainty as to the longer-term effects of the COVID-19 pandemic, we currently do not anticipate any material deviation from our development and expansion plans due to the COVID-19 pandemic. As of December 31, 2021, we had cash and cash equivalents of RMB1.1 billion. We believe that our current level of liquidity is sufficient for us to successfully navigate an extended period of uncertainty.

We cannot assure you, however, that the COVID-19 pandemic will not further escalate or have a material adverse effect on our future results of operations, financial position or prospects. For more details, please refer to "Risk Factors — Risks Related to Our Business and Industry — Our business operations and financial performance have been and may continue to be affected by the COVID-19 outbreak."

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

Significant Accounting Policies

Revenue and other income

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

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of our revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

We transfer control of goods or services and recognizes revenue over time, if one of the following criteria is met:

— The customer simultaneously receives and consumes the benefits provided by our performance as we perform;

— Our performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— Our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or services.

We derive revenue from sales of hospital supplies, pharmacy supplies and chronic condition products, digital marketing services, providing hospital SaaS and pharmacy SaaS, premium membership services and others.

(a) Sales of hospital supplies, pharmacy supplies and chronic condition products

Revenue from sales of hospital supplies, pharmacy supplies and chronic condition products is recognized at the point in time when control of the asset is transferred to customer, generally on acceptance of the products by the customer.

(b) Digital marketing services

Digital marketing services involve provision of professional medical marketing services to pharmaceutical companies. The revenue is generally recognized when the services are rendered and completed.

(c) Hospital SaaS and pharmacy SaaS

We provide hospitals with SaaS products that deliver digitalized clinic care for patients in-hospital. The pharmacy SaaS facilitates pharmacies with customer and resource management, such as in-store online consultation and prescription services for customers. We charge hospital/pharmacy a subscription fee with respect to the software offerings. Typical SaaS product contracts has terms of one year. The subscription fee is recognized over the contract period.

(d) Premium membership services

We provide instant, professional care for chronic conditions and other health management services for individuals through our individual chronic condition management platform. We charge individual members annual membership fees based on membership tiers and service packages. The membership fee is recognised over the service period.

(e) Others

Others includes insurance brokerage services and advertisement agent services.

— Providing insurance brokerage services

We provide insurance brokerage services with respect to consumer healthcare packages of different insurance companies for individual consumers on a retail basis or for corporate customers for the benefit of their employees on a whole sales basis, as an agent through our insurance brokerage service. The commission fees are generally charged as a percentage of sales of insurance slips depending on the product category and terms of contract companies.

— Advertisement agent services

Revenue from advertisement agent services is primarily derived from commissions received for assisting advertising clients in obtaining advertising time on media platform. When we act in the capacity of an agent rather than as the principle in a transaction, the revenue recognized is the net amount of commission made by us.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or fair value through other comprehensive income (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Financial liabilities at FVTPL

We designated the convertible redeemable preferred shares as financial liabilities at FVTPL. They are initially recognised at fair value. Subsequent to initial recognition, the convertible redeemable preferred shares are re-measured to fair value at the end of each reporting period with changes in fair value being recognised in profit or loss, except that changes in fair value of the convertible redeemable preferred shares that are attributable to changes in its own credit risk are presented in other comprehensive income.

The convertible loans contain both a debt component and an embedded derivative component (conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of our own equity instruments). The convertible loans are accounted in its entirety at fair value. Subsequent to initial recognition, the convertible loans are re-measured to fair value at the end of each reporting period with changes in fair value being recognised in profit or loss, except that changes in fair value of the convertible loans that are attributable to changes in its own credit risk are presented in other comprehensive income.

Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the **[REDACTED]** of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

Significant Accounting Estimates and Judgements

Expected credit losses for receivables

The credit losses for trade receivables and other receivables are based on assumptions about the expected loss rates. We use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on our past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and we may make additional loss allowances in future periods.

Fair value of financial instruments

The financial instruments issued by us mainly represent convertible redeemable preferred shares and convertible loans which are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine our equity value, followed by option pricing models to determine the fair value of financial instruments with preferred rights and convertible rights, which involved the use of significant accounting estimates and judgements.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

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 periods 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)	
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 costs 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 approximately 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]** company.

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

Revenues

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 19.9% 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[(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.

In-hospital Solution

Our in-hospital solution consists of (i) hospital supplies, in which we generate revenue by providing medical devices, consumables and pharmaceuticals to hospital end customers, primarily through distributors; (ii) hospital SaaS, which helps digitalize hospitals' chronic condition treatment and management and for which we charge subscription fees; and (iii) digital marketing services, which involves the provision of professional medical marketing services to pharmaceutical companies and for which we receive a percentage of the revenues our pharmaceutical company customers generate from the sales of the pharmaceuticals for which we provide digital marketing services.

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, vital sign monitors and testing devices, 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. We expect continued growth of this business in the foreseeable future as we further expand our hospital network, continue to improve our supply chain capabilities, and continue to invest in the development and marketing of our hospital SaaS.

Pharmacy Solution

Our pharmacy solution consists of (i) pharmacy supplies, in which we generate revenue by providing medical devices, consumables, pharmaceuticals and miscellaneous under a wholesale model or directly to pharmacy customers; and (ii) pharmacy SaaS, in which we provide pharmacies with online consultation and prescription capabilities, new retail service and inventory management service for which we charge subscription fees.

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. Since the launch of our pharmacy SaaS in 2019, it has grown significantly. We expect our revenue from pharmacy solution to continue to grow as we further expand our pharmacy network, leverage our supply chain advantages, and develop and improve products and services for pharmacies.

Individual Chronic Condition Management Solution and Others

Our individual chronic condition management solution and others are provided through online platforms and mobile apps, consisting of (i) sales of chronic condition products, including medical devices, consumables, pharmaceuticals and miscellaneous, through our online pharmacies and since 2020, our e-commerce platform Health Mall; (ii) premium membership services, for which we charge individual members annual membership fees based on membership tiers and service packages; and (iii) others, which includes insurance brokerage services and advertisement agent services.

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. We expect our revenue from individual chronic condition management solution and others to continue to grow as we further expand our individual user base, optimize our membership system and develop and improve our premium membership services.

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 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**

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**

We experienced fluctuations in the gross margin of each revenue stream during the Track Record Period, primarily due to the ongoing shifts in the product and service mix within each revenue stream during each period as our business grew and evolved. For more details, please see our year-to-year comparison of gross profit and gross margin in "— Year-to-Year Comparison of Results of Operations." In particular, we experienced decreases in the gross margins of our in-hospital solution and individual chronic condition management solution and others in 2021, as compared with 2020. The decrease in the gross margin of our in-hospital solution was primarily due to the rapid growth of our hospital supplies business, which has a relatively lower margin compared with hospital SaaS and digital marketing services. Hospital supplies accounted for 59.2% and 67.1% of our revenue from in-hospital solution in 2020 and 2021, respectively. This change in product and service mix was primarily the result of our increased focus on hospital

supplies for monetization with respect to hospital end customers, as we view hospital SaaS not as a direct contributor to our revenues, but rather as a strategic advantage that we use to build sticky relationship with hospitals, understand their needs and contribute to the revenue growth of our hospital supplies and digital marketing services. See "Business — Our Business Models — In-Hospital Solution — The "AIM" Model." The decrease in the gross margin of our individual chronic condition management solution and others, on the other hand, was primarily due to the growth of our insurance brokerage services, which has a relatively lower margin.

We are at a relatively early stage of our monetization efforts. As our business further grows and evolves, we expect to continue to experience shifts in our product and service mix across the different revenue streams and, consequently, fluctuations in the gross margin of each revenue stream. However, we do not expect these fluctuations to have a material negative impact on our path to profitability. As a result of our continued efforts to increase monetization from customers and grow our higher-margin businesses, we achieved consistent and meaningful improvement in our overall gross margin during the Track Record Period. We recorded gross margin of 11.7%, 27.7% and 32.4% in 2019, 2020 and 2021, respectively. Going forward, we expect our overall gross margin to increase to a level higher than what we recorded in 2021 and prior years. See "Summary — Business Sustainability."

The below table sets forth a breakdown of our gross profit and gross margin by products and services for the years presented:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Gross Profit						
Product Gross Profit						
Sales of hospital and pharmacy supplies, and individual chronic condition management products	17,291	3.7	38,736	6.3	124,001	10.3
Hospital supplies	7,775	6.0	28,658	11.5	107,170	12.5
Pharmacy supplies	6,554	2.0	5,305	1.6	15,139	5.0
Individual chronic condition management products	2,962	18.9	4,773	13.7	1,692	3.2
Service Gross Profit						
Digital marketing	29,630	83.6	130,566	87.4	351,158	87.1
SaaS and others[(1)]	14,649	88.7	63,454	85.4	94,865	65.1
Total	**61,570**	**11.7**	**232,756**	**27.7**	**570,024**	**32.4**

Note:

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

We experienced fluctuations in our product and service gross profit margins during the Track Record Period. In particular, our product gross margin was 3.7%, 6.3% and 10.3% in 2019, 2020 and 2021, respectively. Since 2020, we have gradually shifted our focus to pursuing higher margins as part of our efforts to achieve profitability. We have adopted a price review mechanism to optimize our product pricing while phasing out certain low-margin product sales. Meanwhile, our increased scale has enhanced our pricing power. For example, our pricing of products for pharmacy end customers has benefited from the increasing penetration of our pharmacy SaaS, with the number of pharmacy stores that installed our pharmacy SaaS increasing from 3,002 in 2019 to 111,413 in 2020 and further to 172,000 in 2021. Our efforts to optimize pricing, coupled with our increased scale, have enabled us to achieve overall higher product pricing levels and higher product gross margins in 2020 and 2021, despite the regulatory, competition and other pricing restrictions and pressures we face. However, we cannot guarantee that the increasing trend in our product gross margin will continue or that our future efforts to improve pricing will not be curbed by the pricing restrictions and competition that our products are subject to. See "Risk Factors — Risks Related to Our Business and Industry — Pharmaceuticals, consumables and medical devices are subject to and will continue to be subject to price restrictions, price competition and regulations in China, which could adversely affect our profitability and results of operations."

We also experienced fluctuations in the respective gross profit margins of the sales of hospital supplies, pharmacy supplies and individual chronic condition management products during the Track Record Period. In particular: (i) the gross margin of our pharmacy supplies significantly increased from 1.6% in 2020 to 5.0% in 2021, as we reduced the scale of sales of certain lower-margin pharmacy supplies as part of our effort to pursue higher-margin businesses; (ii) the gross margin of our individual chronic condition management products significantly decreased from 13.7% in 2020 to 3.2% in 2021, primarily due to the impact of discounts provided to individual customers as part of our effort to promote sales to individual customers to drive the growth of our individual chronic condition management solution; and (iii) the gross margin of our SaaS and others decreased form 85.4% in 2020 to 65.1% in 2021, primarily due to a decrease in the gross margin of others which was primarily attributable to the growth of our insurance brokerage services, which has a relatively lower margin.

Other Net Income

Our other net income primarily consists of government grants, interest income, net gain on disposal of a subsidiary foreign exchange gain/(loss), and others. Government grants were mainly incentives provided by local government authorities, including various forms of government financial incentives, which are generally non-recurring in nature.

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

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Government grants	391	8.2	3,138	54.7	17,715	59.2
Interest income	4,243	89.0	4,133	72.1	10,729	35.9
Net gain on disposal of a subsidiary	—	—	—	—	618	2.1
Foreign exchange gain/(loss)	304	6.4	140	2.4	(153)	(0.5)
Others	(173)	(3.6)	(1,679)	(29.2)	1,007	3.3
Total	**4,765**	**100.0**	**5,732**	**100.0**	**29,916**	**100.0**

Selling and Marketing Expenses

Our selling and marketing expenses consist of (i) staff costs related to selling and marketing activities, including share-based compensation expenses amounting to RMB6.2 million, RMB7.4 million and RMB58.2 million in 2019, 2020 and 2021, respectively, (ii) promotion fees, including branding and other marketing expenses, (iii) travel expenses, and (iv) other selling and marketing expenses such as amortization of intangible assets acquired.

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

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Staff costs	75,206	50.4	275,973	44.1	611,582	77.7
Promotion fees	46,227	31.0	271,770	43.4	93,607	11.9
Travel expenses	11,213	7.5	36,817	5.9	32,986	4.2
Others	16,533	11.1	41,460	6.6	49,105	6.2
Total	**149,179**	**100.0**	**626,020**	**100.0**	**787,280**	**100.0**

Our selling and marketing expenses increased significantly during the Track Record Period. We expect our selling and marketing expenses in absolute amounts to continue to increase in the foreseeable future as we implement new business initiatives and promote our products and services and our selling and marketing expenses as a percentage of revenue will decrease in the future as we will benefit from economies of scale and improve our operational efficiency cost.

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs related to general corporate functions, including accounting, finance, tax, legal and human resources, including share-based compensation amounting to RMB32.3 million, RMB195.6 million and RMB130.6 million in 2019, 2020 and 2021, respectively, (ii) professional fees consisting of legal service, audit and other professional service fees, (iii) depreciation and amortization, and (iv) other administrative expenses such as tax and surcharge.

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

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Staff costs	52,956	71.2	237,491	75.0	195,394	71.7
Professional fees	11,186	15.0	48,535	15.3	51,549	18.9
Depreciation and amortization	2,109	2.9	5,228	1.7	3,528	1.3
Others	8,143	10.9	25,499	8.0	21,856	8.1
Total	**74,394**	**100.0**	**316,753**	**100.0**	**272,327**	**100.0**

Our administrative expenses increased significantly during the Track Record Period. We expect our administrative expenses to continue to increase in absolute amounts in the foreseeable future in line with our business expansion and our status as a **[REDACTED]** company, but to decrease as a percentage of our total revenue in the long run as we leverage the scale of our business. We plan to continue to hire additional qualified employees to support our business operations and planned expansion.

Research and Development Expenses

Our research and development efforts mainly focus on enhancing our core technological capabilities, such as big data and AI, and developing new products and solutions. Our research and development expenses primarily consist of (i) staff costs related to research and development activities, including share-based compensation amounting to RMB0.6 million, RMB4.3 million and RMB33.8 million in 2019, 2020 and 2021, respectively, (ii) IT service fees related to research and development activities such as bandwidth and data center costs, and (iii) other research and development expenses such as rental for facilities used for research and development.

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

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Staff costs	18,100	76.2	93,309	70.5	203,453	86.1
IT service fees	1,613	6.8	30,583	23.1	24,989	10.6
Others	4,040	17.0	8,505	6.4	7,802	3.3
Total	**23,753**	**100.0**	**132,397**	**100.0**	**236,244**	**100.0**

Our research and development expenses increased significantly during the Track Record Period. Staff costs related to research and development personnel were the major component of our research and development expenses during the Track Record Period. Our R&D team has assisted us in enhancing our core technological capabilities, especially AI technologies and knowledge base. For example, our R&D team has developed a proprietary "medical algorithm engine" as our foundational medical know-how, based on machine learning and neural network technologies, and as another example, the team has also developed a proprietary AI-assisted consultation process that has made consultation and prescription processes on our platform highly efficient and lowered the risks involved. For related details, see "Business Our Technology." Our R&D team has also assisted us in developing our new products and solutions, including (i) for our in-hospital solution, continuously developing AIoT technologies that can connect to more medical devices and enhance the functionality of our hospital SaaS; (ii) for our pharmacy solution, continuously helping more pharmacies to establish the new retail business; and (iii) for individual chronic condition management solution, offering more comprehensive services to better serve patients throughout the chronic management life cycle. For related details, see "Business — Research and Development."

We expect research and development expenses to continue to increase in absolute amounts as we expand our technology team, enhance our data analytics capabilities and develop new features and applications to better serve various participants in the chronic condition management value chain, but to decrease as a percentage of our total revenue as we will benefit from economies of scale and improve our operational efficiency cost.

Finance Costs

Our finance costs consist of interest expenses, interest on lease liabilities, issuance cost of financial liabilities at FVTPL, and other financial cost such as bank charges. The following table sets forth a breakdown of our finance costs both in absolute amount and as a percentage of our total finance costs for the years indicated:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Interest expenses	6,996	12.1	7,245	12.5	9,269	15.0
Interest on lease liabilities	133	0.2	282	0.5	338	0.5
Issuance cost of financial liabilities at FVTPL	50,278	87.0	49,976	86.5	51,554	83.2
Other financial cost	395	0.7	299	0.5	801	1.3
Total	**57,802**	**100.0**	**57,802**	**100.0**	**61,962**	**100.0**

Change in Fair Value of Financial Liabilities

Our change in fair value of financial liabilities represents the change in fair value of our financial liabilities which consist of convertible redeemable preferred shares and convertible loans issued to investors. We designated convertible redeemable preferred shares and convertible loans as financial liabilities at fair value through profit or loss. They are initially recognized at fair value at the time of issuance. We recognize changes in the carrying amount of convertible redeemable preferred shares and convertible loans as of each reporting date in profit or loss. Transaction costs that relate to the issue of convertible redeemable preferred shares and convertible loans are included in profit or loss. If the convertible redeemable preferred shares are converted into ordinary shares, the carrying amount of the financial liabilities is transferred to share capital and share premium.

In the fiscal years ended December 31, 2019, 2020 and 2021, our change in fair value of financial liabilities was loss of RMB326.6 million, loss of RMB2,003.4 million and loss of RMB3,397.6 million, respectively. Prior to the **[REDACTED]**, our convertible redeemable preferred shares have not been traded in an active market and their value at each respective reporting date is determined using valuation techniques. See note 24 to the Accountants' Report in Appendix I to this document for details regarding our convertible redeemable preferred shares and convertible loans. Upon the completion of the **[REDACTED]**, all of our convertible redeemable

preferred shares will be automatically converted to our ordinary shares. In July 2021, all of the convertible loans were converted into convertible redeemable preferred shares. See "— Indebtedness".

Taxation

Our principal applicable taxes and tax rates are set forth as follows:

PRC

Our subsidiaries established in the PRC (excluding Hong Kong) are subject to PRC corporate income tax rate of 25% and 20% (micro and small business) during the Track Record Period. The PRC Corporate Income Tax Law allows enterprises to apply for certificates of "High and New Technology Enterprise" ("**HNTE**"), which entitle the qualified enterprises to a preferential income tax rate of 15%, subject to fulfillment of the recognition criteria. Our subsidiary Hangzhou Kangsheng was qualified as a HNTE and was entitled to the preferential tax rate of 15% for the three calendar years ended December 31, 2019, 2020 and 2021. According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC which has been effective from January 1, 2018 to December 31, 2020, an additional 75% of their qualified research and development expenses we incurred are allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations. Since January 1, 2021, an additional 100% of qualified research and development expenses incurred are allowed to be deducted from taxable income under the PRC income tax law and relevant regulations.

Cayman Islands

Pursuant to the laws of the Cayman Islands, we are not subject to any income tax in the Cayman Islands. In addition, upon our payment of dividends to our shareholders, no Cayman Islands withholding tax will be imposed.

Hong Kong

Our subsidiary incorporated in Hong Kong are subject to Hong Kong profit tax at 16.5% of the estimated assessable profit. No provision for Hong Kong profits tax has been made, as our subsidiaries incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong profit tax during the Track Record Period.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenues

Our revenues increased by 109.4% from RMB839.1 million in 2020 to RMB1,756.7 million in 2021. The increase was primarily driven by the increase in revenue from in-hospital solution.

In-hospital solution. Revenue from in-hospital solution increased by 201.5% from RMB422.2 million in 2020 to RMB1,272.7 million in 2021, as a result of the growth of our hospital supplies and digital marketing services. Revenue from hospital supplies increased by 241.5% from RMB250.1 million to RMB854.1 million, primarily due to our continued implementation of our hospital-first strategy and efforts to expand our hospital network and enhance engagement with hospitals. As a result, the number of transacting customers for our in-hospital solution (excluding pharmaceutical companies) increased from 436 in 2020 to 949 in 2021, and the number of hospitals that directly or indirectly purchased hospital supplies from us increased from 1,431 in 2020 to 2,101 in 2021. Revenue from digital marketing services increased by 169.7% from RMB149.4 million to RMB403.0 million, primarily due to our continued efforts to enhance and expand our digital marketing services to reach more doctors and patients by leveraging our broadened hospital network. As a result, the number of transacting pharmaceutical companies increased from 13 in 2020 to 15 in 2021, and the number of SKUs we marketed through digital marketing services increased from 16 in 2020 to 22 in 2021. Revenue from hospital SaaS decreased by 30.9% from RMB22.7 million to RMB15.7 million, as a result of our increased focus on hospital supplies for monetization with respect to hospital end customers.

Pharmacy solution. Revenue from pharmacy solution increased by 1.3% from RMB345.6 million in 2020 to RMB350.0 million in 2021, as a result of the growth of our pharmacy SaaS. Revenue from pharmacy SaaS increased substantially from RMB15.1 million to RMB49.0 million, primarily due to the continued expansion of our pharmacy network and our continued investment in the development and upgrading of our pharmacy SaaS. As a result of these factors, the number of pharmacy stores that installed our pharmacy SaaS increased from 111,413 in 2020 to 172,000 in 2021, the number of SaaS-paying pharmacy stores increased from 44,086 in 2020 to 84,389 in 2021, and the number of transacting customers increased from 327 in 2020 to 683 in 2021. Revenue from hospital SaaS decreased by 30.9% from RMB22.7 million to RMB15.7 million, as a result of our increased focus on hospital supplies for monetization with respect to hospital end customers.

Individual chronic condition management solution and others. Revenue from our individual chronic condition management solution and others increased by 87.9% from RMB71.3 million in 2020 to RMB134.0 million in 2021, as a result of the growth in our chronic condition products, premium membership services and others. Revenue from chronic condition products increased by 52.2% from RMB34.8 million to RMB53.0 million and revenue from premium membership services increased by 59.7% from RMB14.2 million to RMB22.7 million, primarily due to our continued efforts to expand our user base and enrich our product and service offerings, as a result of which the number of paying individual users increased from 365,786 in 2020 to 660,535 in 2021. Revenue from others increased by 161.7% from RMB22.3 million in 2020 to RMB58.3 million in 2021, primarily as a result of the growth of our insurance brokerage services, as we continued to diversify monetization channels to further drive our growth.

Cost of sales

Our cost of sales increased by 95.7% from RMB606.4 million in 2020 to RMB1,186.7 million in 2021, primarily due to an increase in cost of goods sold from RMB576.7 million in 2020 to RMB1,084.1 million in 2021. This increase in cost of goods sold was, in turn, primarily the result of the significant growth in the scale of our hospital supplies business, the revenue contribution of which increased from RMB250.1 million in 2020 to RMB854.1 million in 2021.

Gross profit and gross margin

As a result of the foregoing, in 2020 and 2021, our gross profit was RMB232.8 million and RMB570.0 million, respectively, and our overall gross margin was 27.7% and 32.4%, respectively. The change in the overall gross margin was a result of the mix of revenue streams and the changes in gross margin of each of these revenue streams.

In-hospital solution. Our gross margin in in-hospital solution decreased from 42.6% in 2020 to 37.2% in 2021, primarily due to the rapid growth of our hospital supplies business, which has a relatively lower margin than hospital SaaS and digital marketing services. Hospital supplies accounted for 59.2% and 67.1% of our revenue from in-hospital solution in 2020 and 2021, respectively. This was primarily the result of our increased focus on hospital supplies for monetization with respect to hospital end customers, as we view hospital SaaS not as a direct contributor to our revenues, but rather as a strategic advantage we can use to build sticky relationship with hospitals, understand their needs and contribute to the revenue growth of our hospital supplies and digital marketing services. See "Business — Our Business Models — In-Hospital Solution — The "AIM" Model."

Pharmacy solution. Our gross margin in pharmacy solution increased from 5.5% in 2020 to 17.8% in 2021, primarily due to a continued revenue mix shift to higher-margin revenue sources as part of our growth strategy. This was primarily attributable to the proportion of revenue from our pharmacy SaaS, which has a relatively higher margin, increased from 4.4% in 2020 to 14.0% in 2021, as a result of our continued efforts to develop and market our pharmacy SaaS. Secondarily, we also reduced the scale of certain lower-margin sales of pharmacy supplies as part of our effort to pursue higher-margin businesses.

Individual chronic condition management solution and others. Our gross margin in individual chronic condition management solution and others decreased from 47.7% in 2020 to 25.9% in 2021, primarily due to the growth of our insurance brokerage services, which has a relatively lower margin.

Selling and marketing expenses

Our selling and marketing expenses increased by 25.8% from RMB626.0 million in 2020 to RMB787.3 million in 2021, primarily due to an increase in staff costs from RMB276.0 million in 2020 to RMB611.6 million in 2021, as we continued to expand our business development team to support our business growth. The increase in staff costs was also partially driven by an increase in share-based compensation associated with sales and marketing staff from RMB7.4 million in 2020 to RMB58.2 million in 2021. This increase in staff costs was partially offset by a decrease in promotion fees from RMB271.8 million in 2020 to RMB93.6 million in 2021, which was primarily due to a one-time re-branding marketing event that included online marketing activities on 25 social media platforms and 13 other online platforms and offline advertisements at bus and metro stations, elevators in residential buildings and CBDs in 17 top-tier cities across China to elevate our *ClouDr* brand among hospitals, pharmacies and patients in 2020, which caused us to incur additional promotion fees in 2020.

Administrative expenses

Our administrative expenses decreased by 14.0% from RMB316.8 million in 2020 to RMB272.3 million in 2021, primarily attributable to a decrease in staff costs from RMB237.5 million in 2020 to RMB195.4 million in 2021 due to a decrease in share-based compensation associated with administrative staff from RMB195.6 million in 2020 to RMB130.6 million in 2021.

Research and development expenses

Our research and development expenses increased by 78.4% from RMB132.4 million in 2020 to RMB236.2 million in 2021, primarily attributable to an increase in the staff costs related to research and development personnel from RMB93.3 million in 2020 to RMB203.5 million in 2021. This increase in the staff costs related to research and development personnel was, in turn, primarily due to our continued expansion of the research and development team from 255 full-time employees as of December 31, 2020 to 364 full-time employees as of December 31, 2021 as part of our effort to further strengthen our research and development capabilities to support and drive the growth of our business and an increase in share-based compensation associated with research and development staff from RMB4.3 million in 2020 to RMB33.8 million in 2021. Our R&D team is responsible for the software, hardware and SaaS solution development. As of December 31, 2021, we had 53 registered software copyrights and 28 patents.

Loss from operations

As a result of the foregoing, our loss from operations decreased by 16.8% from RMB836.7 million in 2020 to RMB695.9 million in 2021.

Finance costs

Our finance costs increased by 7.2% from RMB57.8 million in 2020 to RMB62.0 million in 2021, primarily attributable to an increase in issuance cost of financial liabilities at FVTPL as we entered into additional private financing in 2021 to raise capital to support our growth.

Change in fair value of financial liabilities

We recorded change in fair value of financial liabilities of a loss of RMB2,003.4 million and a loss of RMB3,397.6 million in 2020 and 2021, respectively. In each year, these losses were due to the change in fair value of convertible redeemable preferred shares and convertible loans issued to investors as a result of the increase in fair value of equity interest of our Company. See note 24 to the Accountants' Report in Appendix I to this document for details regarding our convertible redeemable preferred shares and convertible loans.

Income tax

We recorded income tax of RMB966 thousand and RMB2.3 million in 2020 and 2021, respectively. The change was primarily due to the realization of increased deferred tax liabilities.

Loss for the period

As a result of the foregoing, our loss increased by 43.4% from RMB2,896.9 million in 2020 to RMB4,153.2 million in 2021.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenues

Our revenues increased by 60.0% from RMB524.4 million in the fiscal year ended December 31, 2019 to RMB839.1 million in the fiscal year ended December 31, 2020. The increase was primarily driven by the increase in revenue from in-hospital solution.

In-hospital solution. Revenue from in-hospital solution increased by 138.2% from RMB177.2 million in the fiscal year ended December 31, 2019 to RMB422.2 million in the fiscal year ended December 31, 2020, as a result of the growth of our hospital supplies, hospital SaaS and digital marketing services. Revenue from hospital supplies increased by 92.5% from RMB129.9 million to RMB250.1 million and revenue from hospital SaaS increased by 91.1% from RMB11.9 million to RMB22.7 million, primarily due to our continued implementation of the hospital-first strategy and efforts to expand our hospital network and enhance our engagement with hospitals, as a result of which the number of transacting customers (excluding pharmaceutical companies) increased from 309 in 2019 to 436 in 2020, and the number of hospitals that directly or indirectly purchased hospital supplies from us increased from 1,016 in 2019 to 1,431 in 2020. Leveraging our deepened engagement with hospitals, we achieved a 75% retention rate in 2020 with respect to hospitals that directly or indirectly purchased hospital supplies from us (see "— Key Operating Data — In-hospital Solution"), which also contributed to the rapid revenue growth of our hospital supplies business. Revenue from digital marketing services increased substantially from RMB35.4 million to RMB149.4 million, primarily due to our continued efforts to enhance and expand our digital marketing services to reach more doctors and patients by leveraging our broadened hospital network, as a result of which the number of transacting pharmaceutical companies increased from five in 2019 to 13 in 2020, and the number of SKUs we marketed through digital marketing increased from six in 2019 to 16 in 2020.

Pharmacy solution. Revenue from pharmacy solution increased by 5.7% from RMB326.9 million in the fiscal year ended December 31, 2019 to RMB345.6 million in the fiscal year ended December 31, 2020, primarily as a result of the growth of our pharmacy SaaS. Revenue from pharmacy SaaS, which we launched in 2019, increased substantially from RMB24.0 thousand to RMB15.1 million, primarily due to the expansion of the geographic coverage of our pharmacy network and our continued investment in the development and upgrading of our pharmacy SaaS, as a result of which the number of pharmacy stores that installed our pharmacy SaaS increased from

3,002 as of December 31, 2019 to 111,413 as of December 31, 2020, including a number of large pharmacy chain customers, and the number of SaaS-paying pharmacy stores increased from 2,346 in 2019 to 44,068 in 2020.

Individual chronic condition management solution and others. Revenue from individual chronic condition management solution and others increased by 251.2% from RMB20.3 million in the fiscal year ended December 31, 2019 to RMB71.3 million in the fiscal year ended December 31, 2020, as a result of the growth in our chronic condition products, premium membership services and others. Revenue from chronic condition products increased by 121.9% from RMB15.7 million to RMB34.8 million and revenue from premium membership services increased from nil to RMB14.2 million, primarily due to our continued effort to expand our user base and enrich our product and service offerings, as a result of which the number of paying individual users increased from 39,692 in 2019 to 365,786 in 2020. Revenue from others increased substantially from RMB4.6 million in the fiscal year ended December 31, 2019 to RMB22.3 million in the fiscal year ended December 31, 2020, as a result of the growth of our insurance brokerage services as we continued to diversify monetization channels to further drive our growth.

Cost of sales

Our cost of sales increased by 31.0% from RMB462.9 million in the fiscal year ended December 31, 2019 to RMB606.4 million in the fiscal year ended December 31, 2020, primarily due to an increase in cost of goods sold from RMB455.2 million in 2019 to RMB576.7 million in 2020. This increase in cost of goods sold was in turn primarily the result of the significant growth in scale of our hospital supplies business, whose revenue contribution increased from RMB129.9 million in 2019 to RMB250.1 million in 2020.

Gross profit and gross margin

As a result of the foregoing, in the fiscal years ended December 31, 2019 and 2020, our gross profit was RMB61.6 million and RMB232.8 million, respectively, and our gross margin was 11.7% and 27.7%, respectively. The change in the overall gross margin was a result of the changes in gross margin of each of the following three revenue streams.

In-hospital solution. Our gross margin in in-hospital solution increased from 27.1% in the fiscal year ended December 31, 2019 to 42.6% in the fiscal year ended December 31, 2020, primarily due to a continued revenue mix shift to higher-margin revenue sources. That shift was in turn primarily the result of our efforts to enhance and expand our digital marketing services and pursue higher margins as part of our growth strategy. The proportion of revenue from digital marketing services, which has a relatively higher margin, increased from 20.0% in 2019 to 35.4% in 2020.

Pharmacy solution. Our gross margin in pharmacy solution increased from 2.0% in the fiscal year ended December 31, 2019 to 5.5% in the fiscal year ended December 31, 2020. This increase was primarily due to a revenue mix shift as a result of the launch of our pharmacy SaaS in 2019 as part of our efforts to pursue higher-margin businesses, with our pharmacy SaaS, which has a relatively higher margin, accounting for 4.4% of our revenue from pharmacy solution in 2020.

Individual chronic condition management solution and others. Our gross margin in individual chronic condition management solution and others increased from 35.3% in the fiscal year ended December 31, 2019 to 47.7% in the fiscal year ended December 31, 2020, primarily due to a revenue mix shift as we launched premium membership services, which has a relatively higher margin and contributed 19.9% of our revenue from individual chronic condition management solution and others in 2020.

Selling and marketing expenses

Our selling and marketing expenses increased by 319.6% from RMB149.2 million in the fiscal year ended December 31, 2019 to RMB626.0 million the fiscal year ended December 31, 2020. As we continuously assess and identify new business growth opportunities, we launched new selling and marketing initiatives such as a one-off re-branding marketing event that included online marketing activities on 25 social media platforms and 13 other online platforms and offline advertisements at bus and metro stations, elevators in residential buildings and CBDs in 17 top-tier cities across China to elevate our *ClouDr* brand among hospitals, pharmacies and patients in 2020, and continued our selling and marketing efforts to promote our products and solutions. As a result, we expanded our business development team from 260 full-time employees as of December 31, 2019 to 899 full-time employees as of December 31, 2020 to support our business growth, leading to a significant increase in staff costs from RMB75.2 million in 2019 to RMB276.0 million in 2020. We also increased our promotion fees from RMB46.2 million in 2019 to RMB271.8 million in 2020, primarily due to the one-off re-branding marketing event that included online marketing activities on 25 social media platforms and 13 other online platforms and offline advertisements at bus and metro stations, elevators in residential buildings and CBDs in 17 top-tier cities across China to elevate our *ClouDr* brand among hospitals, pharmacies and patients in 2020. Those increases in staff costs and promotion fees were the primary reasons for the increase of our selling and marketing expenses from 2019 to 2020.

Administrative expenses

Our administrative expenses increased by 325.8% from RMB74.4 million in the fiscal year ended December 31, 2019 to RMB316.8 million in the fiscal year ended December 31, 2020. This increase was primarily attributable to (i) an increase in the staff costs related to general administrative personnel from RMB53.0 million in 2019 to RMB237.5 million in 2020, primarily

due to the increase of share-based compensation from RMB32.3 million to RMB195.6 million, and an increase of the general administrative personnel headcount to support our growing business; and (ii) increased professional fees for professional services received, which in turn was the result of the additional legal and accounting services we engaged in connection with our private financings.

Research and development expenses

Our research and development expenses increased significantly from RMB23.8 million in the fiscal year ended December 31, 2019 to RMB132.4 million in the fiscal year ended December 31, 2020, primarily attributable to an increase in the staff costs related to research and development personnel from RMB18.1 million in 2019 to RMB93.3 million in 2020. This increase in staff costs was in turn primarily due to our continued expansion of the research and development team from 162 full-time employees as of December 31, 2019 to 500 full-time employees as of December 31, 2020 as part of our effort to further strengthen our research and development capabilities to support and drive the growth of our business. Our R&D team is responsible for the software, hardware and SaaS solution development. As of December 31, 2020, we had 30 registered software copyrights and 28 patents.

Loss from operations

As a result of the foregoing, our loss from operations increased from RMB181.0 million in the fiscal year ended December 31, 2019 to RMB836.7 million in the fiscal year ended December 31, 2020.

Finance costs

Our finance costs remained stable at RMB57.8 million in both 2019 and 2020.

Change in fair value of financial liabilities

Our change in fair value of financial liabilities increased from a loss of RMB326.6 million in the fiscal year ended December 31, 2019 and to a loss of RMB2,003.4 million in the fiscal year ended December 31, 2020, due to the change in fair value of convertible redeemable preferred shares and convertible loans issued to investors as a result of the increase in fair value of equity interest of our Company. See note 24 to the Accountants' Report in Appendix I to this document for details regarding convertible redeemable preferred shares and convertible loans.

Income tax

We recorded income tax of RMB13.0 thousand and negative RMB1.0 million in the fiscal years ended December 31, 2019 and 2020, respectively. The change was primarily due to the realization of increased deferred tax liabilities.

Loss for the year

As a result of the foregoing, our loss increased substantially 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.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Current Assets/Liabilities

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

	As of December 31,			As of April 30,
	2019	2020	2021	2022
	(in thousands of RMB)			(Unaudited)
Current assets:				
Inventories	141,968	59,405	110,924	140,889
Trade and bills receivables	159,159	298,545	497,266	675,367
Prepayments, deposits and other receivables	223,824	260,371	420,045	455,968
Financial assets at FVTPL	—	—	28,000	14,386
Cash and cash equivalents	601,164	914,226	1,090,575	747,853
Restricted cash	—	—	134,922	67,370
Total current assets	**1,126,115**	**1,532,547**	**2,281,732**	**2,101,833**
Current liabilities:				
Trade payables	52,507	76,032	67,763	119,926
Other payables and accrued expenses	150,037	184,935	456,555	345,496
Contract liabilities	22,697	120,737	93,593	99,625
Bank and other loans	83,900	203,511	114,383	84,595
Lease liabilities	2,750	4,373	4,123	3,295
Financial liabilities at FVTPL	1,720,329	4,478,160	8,907,708	9,467,309
Total current liabilities	**2,032,220**	**5,067,748**	**9,644,125**	**10,120,246**
Net current liabilities	**(906,105)**	**(3,535,201)**	**(7,362,393)**	**(8,018,413)**

We had net current liabilities of RMB906.1 million, RMB3,535.2 million, RMB7,362.4 million and RMB8,018.4 million as of December 31, 2019, 2020 and 2021 and April 30, 2022, respectively. Our net current liabilities position as of each of these dates was primarily attributable to financial liabilities at FVTPL, 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 prepayments, deposits and other receivables. See "— Liquidity and Capital Resources" for further details on change of the balance of our cash and cash equivalents.

Our net current liabilities increased from RMB3,535.2 million as of December 31, 2020 to RMB7,362.4 million as of December 31, 2021 and further increased to RMB8,018.4 million as of April 30, 2022, primarily due to an increase in financial liabilities at FVTPL, which in turn was due to an increase in the value of convertible redeemable preferred shares as a result of the increase in the fair value of the equity interest of our Company.

Inventories

Our inventories represent finished goods. The following table sets forth inventories as of the dates indicated:

	As of December 31,		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Inventories:			
Finished goods	141,968	59,405	110,924

Our inventories increased by 86.7% from RMB59.4 million as of December 31, 2020 to RMB110.9 million as of December 31, 2021, primarily due to the substantial growth of our hospital supplies business. This was partially offset by our continued adjustment in the business model of product sales to individual end customers from a primarily "first-party relationship" to a primarily "third-party relationship". Under the "first-party relationship" model, we maintained relatively high levels of inventories as we handled product sourcing, warehousing and logistics and used third-party marketplaces as the retailer of the products we sell. Under the "third-party relationship" model, on the other hand, we act as the retailer through our online pharmacies to sell the products of third parties who handle sourcing, warehousing and logistics, as a result of which we maintain lower levels of inventories. We began the transition from the "first-party relationship" model to the "third-party relationship" model in 2020, primarily to boost the variety of our product offerings and to lower supply chain costs. This transition led to the decline of our inventory levels for our individual chronic condition management solution.

Our inventories decreased by 58.2% from RMB142.0 million as of December 31, 2019 to RMB59.4 million as of December 31, 2020, primarily due to the gradual phase-out of our cooperation with Customer A (see "Business — Customers") to distribute medical devices and consumables, which had required us to maintain high levels of inventories in 2019. We cooperated with Customer A on a significant scale in 2019 to sell medical devices and consumables, acting as the exclusive distributor of a certain popular glucose testing strips brand on Customer A's platform. In order to meet the potential demand from users on Customer A's platform, we maintained high levels of inventories. In 2020, as part of our effort to improve our management of inventories and receivables and lower the relevant costs and risks, as well as to shift to businesses with higher margins, we began gradually phasing out sales of low-margin products on Customer A's platform. Our inventory levels declined as a result.

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

	For the Year Ended December 31,		
	2019	2020	2021
Inventory turnover days[(1)]	71.3	62.2	28.2

Notes:

(1) Inventory turnover days for a given year are equal to average gross inventory balances at the beginning and the end of the year divided by the cost of goods sold during the year and then multiplied by the number of days during the year.

Our inventory turnover days decreased from 71.3 in the fiscal year ended December 31, 2019 to 62.2 in the fiscal year ended December 31, 2020, which was primarily due to the decrease in inventories for reasons stated above and was also partially driven by our continued revenue mix shift, with higher portions of revenue from SaaS products and digital marketing services for which we generally do not maintain inventories. Our inventory turnover days decreased further to 28.2 days in 2021, which was primarily due to our continued revenue mix shift, enhanced inventory turnover control and more efficient supply chain management.

As of April 30, 2022, RMB109.9 million, or 99.1% of our inventory balance as of December 31, 2021, had been sold or utilized.

Trade and Bills Receivables

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

	As of December 31,		
	2019	2020	2021
	(in thousands of RMB)		
Trade receivables	148,186	289,294	484,250
Less: loss allowance	(4,725)	(13,082)	(15,800)
	143,461	276,212	468,450
Bills receivables	15,698	22,333	28,816
Total	**159,159**	**298,545**	**497,266**

Our trade and bills receivables increased by 87.5% from RMB159.2 million as of December 31, 2019 to RMB298.5 million as of December 31, 2020 and increased by 66.6% to RMB497.3 million as of December 31, 2021. Such increases were primarily due to the fast growth of our in-hospital solution, which contributed 33.8%, 50.3% and 72.4% of our total revenues in 2019, 2020 and 2021, respectively, resulting in larger trade receivables as the average collection period from hospital end customers and the related distributors is typically longer than that in other parts of our business.

Our exposure to credit risk arising from bills receivables is limited because the counterparties for these arrangements are banks and financial institutions with good credit standing, which we consider to have low credit risk. Our trading terms with the majority of our customers are on credit. The credit period is generally 0-180 days for customers for our in-hospital solution and 0-30 days for the rest of our customers. Our finance department closely reviews the aging analysis of our trade and bills receivables on a monthly basis. Our sales personnel are responsible for monitoring the collectability of the receivables of their respective customer accounts and actively follow up with the relevant customers in case of any delay in payment. Our sales department, finance department and legal department have monthly meetings to discuss overdue trade receivables and identify the appropriate solutions. If necessary, certain overdue trade receivables are reported to the general manager of the relevant subsidiaries.

We measure loss allowances for trade receivables as an amount equal to lifetime expected credit losses (ECLs), which is calculated using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. Moreover, we perform individual credit evaluations on all customers who have high credit risk such as litigation issues. These evaluations focus on the customers' past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. For details of our impairment policy related to trade receivables and credit risk disclosures, please also refer to notes 2(j)(i) and 27(a) of Appendix I Accountants' Report.

As a result of our efforts, as of April 30, 2022, RMB256.2 million, or 54.7%, of the trade receivables balance as of December 31, 2021, had been settled. Besides, as of April 30, 2022, RMB4.4 million, or 15.1%, of the bill receivables balance as of December 31, 2021, had been settled. Our Directors are of the view that there is no material recoverability issue with respect to the outstanding balance of our trade and bills receivables as of December 31, 2021 and that sufficient provisions have been made for our trade and bills receivables as of December 31, 2021 based on the facts that: (i) we continued to provide products and services to most of our customers during the Track Record Period; and (ii) our customers during the Track Record Period have a good track record with us and have been making consistent and regular payments.

The aging analysis of the trade and bills receivables based on invoice date is as follows:

	As of December 31,		
	2019	2020	2021
	(in thousands of RMB)		
Trade and bills receivables			
Within three months	145,270	272,813	348,533
Four to six months	13,139	9,657	78,413
Seven to twelve months	750	16,075	70,320
Total	**159,159**	**298,545**	**497,266**

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

	For the Year Ended December 31,		
	2019	2020	2021
Trade and bills receivable turnover days[(1)] .	74.1	103.4	85.7

Notes:

(1) Trade and bills receivable turnover days for a given year are equal to average gross trade and bills receivable balances at the beginning and the end of the year divided by the sum of revenue during the year and then multiplied by the number of days during the year.

Our trade and bills receivable turnover days increased from 74.1 in the fiscal year ended December 31, 2019 to 103.4 in the fiscal year ended December 31, 2020, primarily due to the fast growth of our in-hospital solution and the typically longer average collection period for hospital end customers and the related distributors. Our trade and bills receivable turnover days decreased to 85.7 days in 2021 as a result of our increased receivables collection efforts.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables include (i) prepayments for inventories and services, which are mostly advances made to our suppliers for purchasing inventories including medical devices, consumables, pharmaceuticals and miscellaneous; (ii) deposits, which are primarily security deposits provided to pharmaceutical companies in relation to our digital marketing services and product sales; (iii) advances due from third parties including third-party loans; (iv) purchase rebate with suppliers, which are rebates offered by certain suppliers to us as incentives for our continued purchases from them; (v) value-added tax recoverable, which is recoverable value-added tax from daily business operations, calculated by deducting output value-added tax from input value-added tax; (vi) amounts due from staff in relation to share-based payment and others, which are mostly amounts payable by participants in our **[REDACTED]** Equity Incentive Scheme to purchase RSUs; (vii) amounts due from investors in relation to issuance of convertible redeemable preferred shares and convertible loans, which are amounts payable by investors to purchase the convertible redeemable preferred shares and convertible loans they subscribed for in our private financings; (viii) prepayments for costs incurred in connection with the proposed **[REDACTED]** of the Company's shares, which are capitalized **[REDACTED]**-related expenses to be recognized as a deduction from equity upon the completion of the **[REDACTED]**; (ix) prepayments for **[REDACTED]**, which are prepaid

[REDACTED]-related fees and expenses expected to be charged to our consolidated statements of profit or loss and other comprehensive income; and (x) others. The following table sets forth our deposits, prepayments and other receivables as of the dates indicated:

	As of December 31,		
	2019	**2020**	**2021**
		(in thousands of RMB)	
Prepayments for inventories and services	89,132	99,832	164,679
Deposits	29,429	67,199	139,538
Advances due from third parties	33,034	46,620	33,601
Purchase rebate with suppliers	19,768	11,129	15,616
Value-added tax recoverable	10,257	15,757	29,949
Amounts due from staffs in relation to share-based payment and others	3,069	10,520	18,641
Amounts due from investors in relation to issuance of convertible redeemable preferred shares and convertible loans	36,974	1,957	—
Prepayments for costs incurred in connection with the proposed **[REDACTED]** of the Company's shares	—	—	**[REDACTED]**
Prepayments for **[REDACTED]**	—	—	**[REDACTED]**
Others	2,161	7,357	9,019
Total	**223,824**	**260,371**	**420,045**

Our prepayments, deposits and other receivables increased by 61.3% from RMB260.4 million as of December 31, 2020 to RMB420.0 million as of December 31, 2021, primarily due to (i) an increase in deposits, mainly caused by the growth of our digital marketing services; (ii) an increase in value-added tax recoverable due to an increase in input value-added tax as a result of our business growth; and (iii) an increase in purchase rebate with suppliers, mainly attributable to our increased purchases from suppliers in line with our business growth. This was partially offset by a decrease in advances due from third parties as we settled certain loans to third parties in 2021.

Our prepayments, deposits and other receivables increased by 16.4% from RMB223.8 million as of December 31, 2019 to RMB260.4 million as of December 31, 2020, primarily due to an increase in deposits as a result of the growth of our digital marketing services, in relation to which we are required to provide security deposits to certain pharmaceutical company customers,

partially offset by a decrease in amounts due from investors in relation to issuance of convertible redeemable preferred shares as investors made payment in 2020 for the preferred shares they had subscribed for.

As of April 30, 2022, RMB200.9 million, or 47.8%, of our prepayments, deposits and other receivables balance as of December 31, 2021, had been utilized or settled.

Trade Payables

Trade payables represent payables for inventories and services provided to us that remain unpaid. The following table sets forth our trade payables as of the dates indicated:

	As at December 31,		
	2019	**2020**	**2021**
	(in thousands of RMB)		
Payables for inventories and services	52,507	76,032	67,763

Our trade payables decreased by 10.9% from RMB76.0 million as of December 31, 2020 to RMB67.8 million as of December 31, 2021, primarily due to improving working capital efficiency driven by our increasing receivables collection efforts. Our trade payables increased by 44.8% from RMB52.5 million as of December 31, 2019 to RMB76.0 million as of December 31, 2020, primarily due to our significant ramp-up of sales of medical devices, consumables, pharmaceuticals and miscellaneous and the corresponding procurement amount from suppliers.

The following table sets forth the turnover days of our trade payables for the year indicated:

	For the Year Ended December 31,		
	2019	**2020**	**2021**
Trade payable turnover days[(1)]	23.6	38.7	22.1

Notes:

(1) Trade payable turnover days for a given year are equal to average trade payable balances at the beginning and the end of the year divided by the sum of cost of revenue during the year and then multiplied by the number of days during the year.

Our trade payable turnover days increased from 23.6 days in the fiscal year ended December 31, 2019 to 38.7 days in the fiscal year ended December 31, 2020, primarily due to the increasing trade payables for reasons stated above. Our trade payable turnover days decreased to 22.1 days in 2021, primarily as a result of our improved working capital management efficiency in receivables collection and payables settlement.

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

	As of December 31,		
	2019	2020	2021
		(in thousands of RMB)	
Trade payables			
Within one year	52,068	76,032	67,763
Over one year	439	—	—
Total	**52,507**	**76,032**	**67,763**

As of April 30, 2022, RMB37.8 million, or 55.8%, of our trade payables balance as of December 31, 2021, had been settled.

Other Payables and Accrued Expenses

Other payables and accrued expenses include (i) salary and welfare payables to our full-time employees; (ii) payables for flexible staff, which are primarily compensation for flexible staff deployed by flexible staffing platforms that we use as part of our business development efforts; (iii) payables for acquiring subsidiaries and exclusive rights, which are amounts payable for the acquisition of certain subsidiaries and rights to conduct digital marketing services for certain pharmaceutical brands; (iv) refund liabilities, which are expected refunds payable to customers; (v) payables for **[REDACTED]**, which are **[REDACTED]**-related fees and expenses expected to be paid; (vi) advance from a non-controlling shareholder of a subsidiary of the Group, which represents a loan that one of our subsidiaries borrowed from its minority shareholder; (vii) payables for repurchase of convertible redeemable preferred shares, which are amounts payable for the repurchase of our convertible redeemable preferred shares from shareholders; (viii) payables for issuance cost of financial liabilities at FVTPL, which are payables for financial advisory services in connection with our private financings; (ix) payables for insurance premium, which are insurance premiums collected from the insured on behalf of insurance companies as part of our

services for the insurance companies but not yet remitted to those insurance companies; (x) tax payables; and (xi) deposits and others. The following table sets forth our other payables and accrued expenses as of the dates indicated:

	As of December 31,		
	2019	2020	2021
	(in thousands of RMB)		
Salary and welfare payables	11,495	56,376	86,041
Payables for flexible staff	20,237	78,684	124,203
Tax payables	275	1,521	9,928
Payables for acquiring of subsidiaries and exclusive rights	9,462	18,137	13,420
Refund liabilities	8,272	14,646	18,424
Payables for **[REDACTED]**	—	—	**[REDACTED]**
Advance from a non-controlling shareholder of a subsidiary of the Group	—	—	1,000
Payables for repurchase of convertible redeemable preferred shares	43,984	8,117	—
Payables for issuance cost of financial liabilities at FVTPL	43,523	—	13,477
Payables for insurance premium	—	—	134,922
Deposits and others	12,789	7,454	29,807
Total	**150,037**	**184,935**	**456,555**

Our other payables and accrued expenses increased by 146.9% from RMB184.9 million as of December 31, 2020 to RMB456.6 million as of December 31, 2021, primarily due to (i) an increase in the payables for insurance premium as of December 31, 2021, due to an increase in the scale of our insurance brokerage services in 2021, through which we sell healthcare insurance packages from insurance companies to customers and collect insurance premiums from the insured on behalf of certain insurance companies which are then payable to these insurance companies; and (ii) an increase in deposits and others, due to an increase of sales deposits and accrued business expenses as a result of our business growth. Our other payables and accrued expenses increased by 23.3% from RMB150.0 million as of December 31, 2019 to RMB184.9 million as of December 31, 2020, which was primarily due to an increase in staff costs, including both salary and welfare payables and payables for flexible staff, as we continuously expanded our labor force in line with our overall growth and expansion.

As of April 30, 2022, RMB346.6 million, or 75.9%, of our other payables and accrued expenses balance as of December 31, 2021, had been settled.

Contract Liabilities

Contract liabilities primarily relate to the consideration received from customers. Our contract liabilities decreased by 22.5% from RMB120.7 million as of December 31, 2020 to RMB93.6 million as of December 31, 2021, primarily due to a decrease in advances from customers for medical devices, consumables, pharmaceuticals and miscellaneous. Our contract liabilities increased significantly from RMB22.7 million as of December 31, 2019 to RMB120.7 million as of December 31, 2020, primarily due to an increase in payment from customers for our services as a result of the growth of our pharmacy SaaS and premium membership services for individuals.

As of April 30, 2022, RMB32.6 million, or 34.8%, of our contract liabilities balance as of December 31, 2021, had been settled.

Bank and Other Loans

Bank and other loans represent our short-term borrowings made from banks. Our bank and other loans decreased by 43.8% from RMB203.5 million as of December 31, 2020 to RMB114.4 million as of December 31, 2021, primarily due to our repayment of certain loans in 2021. Bank and other loans increased by 142.6% from RMB83.9 million as of December 31, 2019 to RMB203.5 million as of December 31, 2020, primarily due to additional bank borrowings we took to meet the demand of our business expansion. See "— Indebtedness" for more details.

Financial liabilities at FVTPL

Our financial liabilities at FVTPL consist of convertible redeemable preferred shares and convertible loans that we issued to investors in our private financings. See note 24 to the Accountants' Report in Appendix I to this document for details of our financial liabilities at FVTPL.

We had financial liabilities at FVTPL of RMB1,720.3 million, RMB4,478.2 million, RMB8,907.7 million and RMB9,467.3 million as of December 31, 2019, 2020 and 2021 and April 30, 2022, respectively. See "— Indebtedness."

Upon the closing of a qualified **[REDACTED]** as defined in the agreements related to our private financings, our convertible redeemable preferred shares will automatically be converted into ordinary shares. Upon such conversion, the redemption rights will automatically cease, such that the carrying amount of the financial liabilities will be transferred to share capital and share premium in our consolidated statements of financial position. As such, it is expected we will switch into a net asset position upon **[REDACTED]**.

Non-Current Assets/Liabilities

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

	As of December 31,		
	2019	2020	2021
	(in thousands of RMB)		
Non-current assets:			
Property, plant and equipment	6,796	24,300	36,213
Intangible assets	29,191	111,478	164,583
Goodwill	—	19,017	25,625
Total non-current assets	**35,987**	**154,795**	**226,421**
Non-current liabilities:			
Lease liabilities	1,704	2,182	4,800
Deferred tax liabilities	—	10,630	14,359
Total non-current liabilities	**1,704**	**12,812**	**19,159**

Property, Plant and Equipment

Our property, plant and equipment primarily consist of electronic and production equipment such as servers, office equipment, motor vehicles, leasehold improvement and right-of-use assets. Our property, plant and equipment increased by 257.6% from RMB6.8 million as of December 31, 2019 to RMB24.3 million as of December 31, 2020 and increased by 49.0% to RMB36.2 million as of December 31, 2021, primarily due to our continued spending on research and development equipment, office equipment and office furniture to meet the increased demand of daily operation and research and development activities in line with our continued expansion and growth of business.

Intangible Assets

Our intangible assets primarily comprise exclusive rights, software and patent and license. Below is a breakdown of our intangible assets other than goodwill by nature:

	As of December 31,		
	2019	2020	2021
	(in thousands of RMB)		
Exclusive rights	28,824	60,482	96,310
Licenses	—	32,888	20,076
Softwares	—	7,105	9,212
Customer relationships	—	10,677	38,699
Others	367	326	286
Total	**29,191**	**111,478**	**164,583**

For intangible assets with finite lives, we amortize them over their useful economic lives, and the amortization begins when such intangible assets are available for use and are tested for impairment when there is an indicator of impairment. At each reporting date, we reviewed the internal and external sources of information to assess whether there are any indications that intangible assets may be impaired. As at December 31, 2019, 2020 and 2021, our management was not aware of any significant adverse changes in circumstances, which indicate that the carrying amount may not be recoverable. For the intangible assets that are acquired through business combination and allocated to the cash-generating units (CGUs) including allocated goodwill, impairment assessments have been conducted as at December 31, 2020 and no impairment loss was recognized.

Our intangible assets increased by 47.6% from RMB111.5 million as of December 31, 2020 to RMB164.6 million as of December 31, 2021, primarily due to (i) our acquisition of rights to conduct digital marketing services for certain pharmaceutical brands, and (ii) an increase in customer relationships, as a result of our acquisition of certain subsidiaries with valuable customer relationships. Our intangible assets increased substantially from RMB29.2 million as of December 31, 2019 to RMB111.5 million as of December 31, 2020, primarily due to our acquisition of the exclusive rights to conduct digital marketing services for certain pharmaceutical brands. During the Track Record Period, we purchased the exclusive rights to conduct digital marketing services for certain pharmaceutical brands of products, including primarily medicines related to chronic condition management. Upon our acquisition of such rights for a brand, we became the exclusive provider of digital marketing services for that brand within a certain region of China as agreed with the pharmaceutical company customer. These exclusive rights generally remain effective for a period between 2 and 5 years and can be renewed subject to the approval of the customers.

Goodwill

We recorded goodwill of nil, RMB19.0 million and RMB25.6 million as of December 31, 2019, 2020 and 2021, respectively. The goodwill as of December 31, 2020 and 2021 was the result of certain acquisitions we made as part of our effort to expand our business. See note 28 to the Accountants' Report in Appendix I to this document for details regarding our acquisitions of subsidiaries and the accumulation of goodwill as a result of the acquisitions.

For purpose of impairment testing, goodwill acquired through business combination is allocated to respective CGUs representing the lowest level within our Company for which the goodwill is monitored for internal management purpose.

The significant CGUs include Jiangsu Xinwange Medical Technology Co., Ltd. ("**Jiangsu Xinwange**"), Yinbang Insurance Brokerage Co., Ltd. ("**Yinbang Insurance**"), Shanghai Yitong Culture Media Co., Ltd. ("**Shanghai Yitong**") and Zhejiang Qilian Medicine Co., Ltd. ("**Zhejiang Qilian**"). The goodwill allocated to the significant CGUs are set out as follows:

	At December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Jiangsu Xinwange	8,337	8,337
Yinbang Insurance	8,033	8,033
Shanghai Yitong	2,253	2,253
Zhejiang Qilian	—	6,015

Impairment review on the goodwill has been conducted by the management as of December 31, 2020 and 2021. The recoverable amounts of the CGUs determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates.

Key assumptions of the significant CGUs as of December 31, 2020 and 2021 are set out as follows:

As of December 31, 2020

	Jiangsu Xinwange	Yinbang Insurance	Shanghai Yitong
Revenue 2021 (% annual growth rate)	200.0%	50.0%	5.0%
Revenue 2022-2025 (% annual growth rate)	6.0%-8.0%	6.0%-20.0%	6.0%-9.0%
Long-term growth rate	3.0%	3.0%	3.0%
Pre-tax discount rate	13.0%	21.0%	23.5%

As of December 31, 2021

	Jiangsu Xinwange	Yinbang Insurance	Shanghai Yitong	Zhejiang Qilian
Revenue 2022 (% annual growth rate)	5.0%	15.0%	10.0%	4.4%
Revenue 2023-2026 (% annual growth rate)	5.0%	8.0%-14.0%	5.0%-10.0%	3.0%
Long-term growth rate	3.0%	3.0%	3.0%	3.0%
Pre-tax discount rate	12.6%	21.1%	22.5%	12.7%

We determined the recoverable amounts of the cash-generating units (CGUs) based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by our management covering a five-year period. Management forecasted the revenue from each CGUs based on the current economic and industry conditions, the available financial and human resources, the historical financial performance, the available products mix and sales channels.

As of December 31, 2020, our management forecasted high revenue growth rates for the CGUs, Jiangsu Xinwange and Yinbang Insurance, especially for the year 2021, which is the year following the acquisition, as we continued to launch new initiatives including adjusting and expanding the CGUs' products mix, exploring diversification of the sales channel based on our current business resources and expanding the hospital SaaS solution to the CGUs' end customers to drive higher monetization.

The decrease in forecasted annual growth rate as of December 31, 2021 is mainly due to the following reasons: (i) our management forecasts that the annual growth rate would be front-loaded (higher annual growth rates in the years since acquisition) due to the expectation of diminishing marginal effect from synergies; and (ii) the higher revenue base for the year ended December 31, 2021 on which the growth rate is based.

Details of the headroom calculated based on the recoverable amounts deducting the carrying amount allocated for the significant CGUs as of December 31, 2020 and 2021 are set out as follows:

	At December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Jiangsu Xinwange	20,495	51,781
Yinbang Insurance	5,227	11,553
Shanghai Yitong	457	643
Zhejiang Qilian	—	19,833

Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to annual growth rate during the 5-year forecast and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as of December 31, 2020 and 2021:

As of December 31, 2020

	Jiangsu Xinwange	**Yinbang Insurance**	**Shanghai Yitong**
Annual growth rate of revenue during the 5-year forecast	-1.4%	-3.0%	-1.1%
Pre-tax discount rate	1.3%	2.2%	0.9%

As of December 31, 2021

	Jiangsu Xinwange	**Yinbang Insurance**	**Shanghai Yitong**	**Zhejiang Qilians**
Annual growth rate of revenue during the 5-year forecast	-8.3%	-7.1%	-2.1%	-9.1%
Pre-tax discount rate	3.1%	6.2%	3.0%	1.1%

The Directors determined no impairment on goodwill was required as at December 31, 2020 and 2021 with reference to the recoverable amounts. With regard to the assessment of the VIU of the CGUs, the Directors believe that any reasonably possible change in any of the above key assumptions would not cause the carrying value, including goodwill, of the CGUs to exceed the recoverable amounts.

As at December 31, 2021, the Directors did not identify any significant adverse changes in the CGUs' operation and considered that there was sufficient headroom based on impairment review at December 31, 2020. Therefore, no impairment indicator of goodwill was noted at December 31, 2021.

Deferred Tax Liabilities

Deferred tax liabilities arise from deductible and taxable temporary differences, being the differences between the carrying amounts of liabilities for financial reporting purposes and their tax bases. We recorded deferred tax liabilities of nil, RMB10.6 million and RMB14.4 million as of December 31, 2019, 2020 and 2021, respectively.

Directors', Joint Sponsors' and Reporting Accountants' Views on Valuation of Financial Assets and Liabilities Categorised with Level 3 of Fair Value Measurement

Our Directors' view:

- Financial assets at FVTPL: Financial assets at FVTPL represent wealth management products held by us and those assets were categorized with level 3 of fair value measurement during the Track Record Period. The fair value of the financial assets at FVTPL was estimated using a discounted cash flow model. The significant unobservable inputs are the interest return rates. We have a team headed by the finance manager performing valuation for wealth management products which are categorized into Level 3 of the fair value hierarchy. The team reports to our head of the finance department. In determining the fair value of our financial assets, our Directors adopted the following procedures: (i) reviewed the contract terms of the respective wealth management products, understood their nature, and discussed with the finance team on the classification of the wealth management products; (ii) reviewed the valuation working papers and results prepared by the finance team; (iii) carefully considered all information especially those non-market related information input; (iv) analyzed and discussed with the finance team regarding the contents of the valuation analysis, including, but not limited to, the basis of computation, the assumptions and valuation methodologies on which the valuation is based, and the basis of the interest return rates; and (v) reviewed the retrospective analysis results of settled similar wealth management

products and assessed the appropriateness of the valuation models, assumptions and parameters used by the finance team. Based on the above procedures, our Directors are of the view that the valuation of our financial assets at FVTPL categorized within the level 3 of fair value measurement is fair and reasonable.

- Financial liabilities at FVTPL: In relation to the valuation of the financial liabilities at FVTPL, with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the relevant contract terms of the investment agreements signed with investors, understood the nature of the financial instruments issued, and discussed with the finance team on the classification of the financial instruments; (ii) engaged an independent qualified professional valuer, confirmed with the valuer that it was independent from us and that there is no conflict of interests of the valuer, reviewed the qualifications, experience of the valuer and its work scope to ensure that the valuer possessed the experience, qualifications and expertise to compile the valuation report properly; (iii) provided necessary financial and non-financial information, including, but not limited to, historical financial performance, financial forecast and industry conditions, so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (iv) carefully considered all information and discussed these information internally with the operation team, finance team, investment and financing team, especially non-market related information input, such as fair value of our ordinary shares, possibilities under different scenarios, time to liquidation and discount for lack of marketability, which require management assessments and estimates; (v) reviewed and analyzed the valuation working papers and results prepared by the valuer, and enquired with the valuer about the methodologies, computations and parameters, as necessary; and (vi) reviewed the comparison results of the equity fair value of our Company prepared by the valuer with the recent implied financing value of our Company when available. Based on the above procedures, the Directors are of the view that the valuation of the financial liabilities at FVTPL is fair and reasonable.

Joint Sponsors' view: In relation to the fair value assessment of the financial assets and liabilities categorized with level 3 measurements under the fair value classification, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) reviewing relevant notes and disclosure in the Accountant's Report contained in Appendix I to this document; (ii) discussing with us and the Reporting Accountants regarding the valuation methodology, and the key basis and assumptions for the valuation of the financial liabilities and assets; (iii) obtaining and reviewing the credentials of the valuer involved in the valuation; and (iv) discussing with the valuer regarding the valuation basis and methodologies adopted by the valuer. Having

considered the work done by our management, the Directors and the Reporting Accountants, and the relevant due diligence done as stated above, nothing material has come to the Joint Sponsors' attention that indicates that the Directors have not undertaken independent and sufficient investigation and due diligence, or that the Directors' reliance on the work products of the independent valuer is unreasonable or excessive.

Reporting Accountants' view: The Reporting Accountants have conducted their work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" ("**HKSIR 200**") issued by the Hong Kong Institute of Certified Public Accountants to express an opinion on Historical Financial Information (as defined in Appendix I to this document). This standard requires that the Reporting Accountants plan and perform their work to obtain reasonable assurance about whether the Historical Financial Information as a whole is free from any material misstatement.

Details of the valuation measurement of financial assets at FVTPL and financial liabilities at FVTPL, particularly the valuation techniques and key inputs, including significant unobservable inputs, and the relationship of unobservable inputs to valuation are disclosed in Notes 24 and 27(d) to the Accountants' Report in Appendix I to this document. The Reporting Accountants' opinion on our historical financial information for the Track Record Period as whole is set out in the Appendix I to this document.

KEY FINANCIAL RATIOS

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.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we had funded our cash requirements principally from capital contribution from shareholders, financing through issuance and sales of convertible redeemable preferred shares in private placement transactions and bank loans. We had cash and cash equivalents of RMB601.2 million, RMB914.2 million and RMB1,090.6 million as of December 31, 2019, 2020 and 2021, respectively.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the **[REDACTED]** received from the **[REDACTED]**. We currently do not have any plans for material additional external financing.

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 year 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 them 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 expect our gross profit margin will remain at the same level as 2021 or be slightly higher than what we had in 2021 in the next few years.

- **Benefiting from earlier investments and economies of scale.** During the Track Record Period, we made significant investment in expanding the 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 will 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 will decrease in the future.

See "Summary — Business Sustainability" for details.

Net Cash Used in Operating Activities

Net cash used in operating activities primarily comprises our loss for the year and non-cash and non-operating items, adjusted by changes in working capital.

In the fiscal year ended December 31, 2021, net cash used in operating activities was RMB666.3 million, which was primarily attributable to our loss before taxation of RMB4,155.5 million, as adjusted by (i) non-cash items, which primarily included changes in fair value of financial liabilities of RMB3,397.6 million, equity-settled share-based payment expenses of RMB222.6 million, issuance cost of financial liabilities at FVTPL of RMB51.6 million and amortization of RMB71.1 million; and (ii) cash used for working capital, which primarily resulted from an increase in trade and bills receivables and other receivables of RMB213.9 million, partially offset by an increase in trade and other payables and accrued expenses of RMB118.0 million. The increase in trade and bills receivables and other receivables was primarily due to the fast growth of our in-hospital solution, which resulted in larger trade receivables as the average collection period from hospital end customers and the related distributors is typically longer than that in other parts of our business. The increase in trade and other payables and accrued expenses was primarily due to the growth of our sales of medical devices, consumables, pharmaceuticals and miscellaneous and the corresponding procurement amount from suppliers.

In the fiscal year ended December 31, 2020, net cash used in operating activities was RMB438.5 million, which was primarily attributable to our loss before taxation of RMB2,897.9 million, as adjusted by (i) non-cash items, which primarily comprised changes in fair value of financial liabilities of RMB2,003.4 million, equity-settled share-based payment expenses of RMB207.2 million, issuance cost of financial liabilities at FVTPL of RMB50.0 million, and amortization of RMB28.0 million; and (ii) cash released from working capital, which primarily resulted from an increase in trade and other payables and accrued expenses of RMB97.8 million, a decrease in inventories of RMB84.2 million and an increase in contract liabilities of RMB93.6 million, partially offset by an increase in trade and bills receivables and other receivables of RMB132.5 million. The increase in trade and other payables and accrued expenses was primarily due to the growth of our sales of medical devices, consumables, pharmaceuticals and miscellaneous and the corresponding procurement amount from suppliers. The decrease in inventories was primarily due to the gradual phase-out of our cooperation with Customer A (see "Discussion of Certain Key Balance Sheet Items — Current Assets/Liabilities — Inventories"). The increase in contract liabilities was primarily due to an increase in advances from customers for medical devices, consumables, pharmaceuticals and miscellaneous. The increase in trade and bills receivables and other receivables was primarily due to the fast growth of our in-hospital solution, which resulted in larger trade receivables as the average collection period from hospital end customers and the related distributors is typically longer. Customer A (see "Discussion of Certain Key Balance Sheet Items — Current Assets/Liabilities — Inventories"). The increase in

contract liabilities was primarily due to an increase in advances from customers for medical devices, consumables, pharmaceuticals and miscellaneous. The increase in trade and bills receivables and other receivables was primarily due to the fast growth of our in-hospital solution, which resulted in larger trade receivables as the average collection period from hospital end customers and the related distributors is typically longer.

In the fiscal year ended December 31, 2019, net cash used in operating activities was RMB360.3 million, which was primarily attributable to our loss of RMB565.4 million, as adjusted by (i) non-cash items, which primarily comprised changes in fair value of financial liabilities of RMB326.6 million, issuance cost of financial liabilities at FVTPL of RMB50.3 million, and equity-settled share-based payment expenses of RMB39.0 million; and (ii) cash used for working capital, which primarily resulted from an increase in trade and bills receivables and other receivables of RMB149.3 million and an increase in inventories of RMB103.2 million, partially offset by an increase in trade and other payables and accrued expenses of RMB3.4 million. The increase in trade and bills receivables and other receivables was primarily due to the fast growth of our in-hospital solution, which resulted in larger trade receivables as the average collection period from hospital end customers and the related distributors is typically longer. The increase in inventories was primarily due to our cooperation with Customer A in 2019, which required us to maintain high levels of inventories (see "Discussion of Certain Key Balance Sheet Items — Current Assets/Liabilities — Inventories"). The increase in trade and other payables and accrued expenses was primarily due to the growth of our sales of medical devices, consumables, pharmaceuticals and miscellaneous and the corresponding procurement amount from suppliers.

Net Cash Used in/Generated from Investing Activities

In the fiscal year ended December 31, 2021, net cash used in investing activities was RMB155.5 million, which was mainly attributable to (i) payment for purchase of wealth management products of RMB6,434.5 million; (ii) payment for the purchase of property, plant and equipment and intangible assets of RMB88.7 million; and (iii) acquisition of subsidiaries, net of cash acquired, of RMB43.7 million, partially offset by proceeds from sales of wealth management products of RMB6,406.5 million.

The wealth management products we purchased during the Track Record Period consisted primarily of onshore and offshore short-term structured deposits and agreement deposits. We only invest in products offered by state-controlled or reputable licensed commercial banks that are considered low-risk and offer higher rates of return as compared with time deposits. Our investment department, consisting of personnel with finance or accounting degrees and experience in investment, is responsible for sourcing, purchasing and monitoring the performance of the wealth management products. Before proceeding with any investment proposal, our investment department assesses our cash flow levels, operational needs and capital expenditures. Our

investment strategy related to the wealth management products aims to minimize the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, and to generate investment returns for the benefits of our shareholders. We make our investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macroeconomic environment, general market conditions and the expected profit or potential loss of the investment. Our chief financial officer and senior investment manager, both of whom hold finance-related degrees and have years of experience in financial or investment management, review the investment proposals made by the investment department. We plan to hold such investments after the completion of the **[REDACTED]**. In order to optimize returns and mitigate risks of our investment, we closely monitor the performance of our wealth management products and have subsequent portfolio management and risk-warning mechanism in place.

In the fiscal year ended December 31, 2020, net cash used in investing activities was RMB160.2 million, which was mainly attributable to (i) payment for purchase of wealth management products of RMB310.0 million; (ii) acquisition of subsidiaries, net of cash acquired, of RMB82.6 million; (iii) advances to third parties of RMB38.4 million; and (iv) payment for the purchase of property, plant and equipment and intangible assets of RMB40.5 million, partially offset by settlements received from advances to third parties of RMB10.2 million.

In the fiscal year ended December 31, 2019, net cash generated from investing activities was RMB3.4 million, which was mainly attributable to proceeds from sale of wealth management products of RMB368.0 million, partially offset by payment for purchase of wealth management products of RMB328.0 million and acquisition of subsidiaries, net of cash acquires, of RMB22.3 million.

Net Cash Generated from Financing Activities

In the fiscal year ended December 31, 2021, net cash generated from financing activities was RMB1,015.4 million, which was primarily attributable to (i) proceeds from issuance of convertible redeemable preferred shares and convertible loans of RMB1,183.5 million and (ii) proceeds from bank and other loans of RMB370.3 million, partially offset by (i) repayment of bank and other loans of RMB476.6 million and (ii) payment of repurchase of convertible loan for issuance of convertible redeemable preferred shares of RMB214.4 million.

In the fiscal year ended December 31, 2020, net cash generated from financing activities was RMB918.4 million, which was primarily attributable to (i) proceeds from issuance of convertible redeemable preferred shares and convertible loans of RMB950.0 million; (ii) proceeds from bank and other loans of RMB326.1 million; and (iii) proceeds from issuance of convertible redeemable preferred shares to settle convertible loans of RMB66.5 million, partially offset by (i) repayment

of bank and other loans of RMB208.0 million; (ii) issuance cost of convertible redeemable preferred shares of RMB92.5 million; and (iii) payment of repurchase of convertible loans for issuance of convertible redeemable preferred shares of RMB75.8 million.

In the fiscal year ended December 31, 2019, net cash generated from financing activities was RMB813.6 million, which was primarily attributable to (i) proceeds from issuance of convertible redeemable preferred shares and convertible loans of RMB832.7 million; and (ii) proceeds from bank and other loans of RMB205.9 million, partially offset by (i) repayment of bank and other loans of RMB185.7 million; (ii) payment of repurchase of convertible redeemable preferred shares and convertible loans of RMB6.0 million; and (iii) issuance cost of convertible redeemable preferred shares of RMB24.3 million.

INDEBTEDNESS

Borrowings

As of December 31, 2019, 2020 and 2021 and April 30, 2022, we had bank and other loans of RMB83.9 million, RMB203.5 million, RMB114.4 million and RMB84.6 million, respectively.

Borrowings are classified as current liabilities. All borrowings are repayable within one year or on demand and the effective annual interest rates ranged from 3.60% to 8.64% as of April 30, 2022, being the indebtedness statement date.

As of April 30, 2022, being the indebtedness statement date, we had approximately RMB13.3 million in unutilized banking facilities.

All of our banking facilities are subject to the fulfilment of covenants relating to certain of our balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If we were to breach the covenants, the drawn down facilities would become payable on demand. We regularly monitor our compliance with these covenants. Our Directors confirm that there was no delay or default in the repayment of borrowings during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirm that they are not aware of any breach of any of the covenants contained in our bank loan arrangements and other borrowing arrangements or any event of default during the Track Record Period and up to the Latest Practicable Date, nor are they aware of any restrictions that will limit our ability to drawdown on our unutilized facilities.

Financial Liabilities at FVTPL

Our financial liabilities at FVTPL consist of convertible redeemable preferred shares and convertible loans. The following table sets forth the amount of our financial liabilities at FVTPL as of the dates indicated:

	As of December 31,			As of April 30,
	2019	2020	2021	2022
	(in thousands of RMB)			
				(Unaudited)
Convertible redeemable preferred shares	1,548,365	4,329,603	8,907,708	9,467,309
Convertible loans	171,964	148,557	—	—
Total	**1,720,329**	**4,478,160**	**8,907,708**	**9,467,309**

As of December 31, 2019, 2020 and 2021 and April 30, 2022, our convertible redeemable preferred shares had fair value of RMB1,548.4 million, RMB4,329.6 million, RMB8,907.7 million and RMB9,467.3 million, respectively. For further information regarding the Preferred Shares, see note 24 to the Accountants' Report in Appendix I to this document. In the second and third quarters of 2021, we issued a total number of 47,856,701 series E+ Preferred Shares to investors for a total cash consideration of US$184 million.

Our convertible loans consist convertible loans issued to certain investors in previous financings. Upon the successful completion of the Overseas Direct Investments Registration with the period specified in the relevant agreements, the convertible loans are convertible into our convertible redeemable preferred shares. As of December 31, 2019, 2020 and 2021 and April 30, 2022, our convertible loans had fair value of RMB172.0 million, RMB148.6 million, nil and nil, respectively. For further information regarding the convertible loans, see note 24 to the Accountants' Report in Appendix I to this document. In July 2021, all the convertible loans were converted into convertible redeemable preferred shares.

Lease liabilities

Our lease liabilities are in relation to properties that we lease for our office premises, fulfillment centers and research and development activities. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2019	2020	2021	2022
	(in thousands of RMB)			
				(Unaudited)
Current	2,750	4,373	4,123	3,295
Non-current	1,704	2,182	4,800	4,339
Total	**4,454**	**6,555**	**8,923**	**7,634**

The table below categorizes our minimum lease payments into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date.

	As of December 31,			As of April 30,
	2019	2020	2021	2022
	(in thousands of RMB)			
				(Unaudited)
Within 1 year	2,880	4,569	4,447	3,534
After 1 year but within 2 years	1,159	2,113	2,842	3,055
After 2 years but within 5 years	653	279	2,184	1,447
Total	**4,692**	**6,961**	**9,473**	**8,036**

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

CONTINGENT LIABILITIES

As of December 31, 2019, 2020 and 2021 and April 30, 2022, we did not have any material contingent liabilities.

CAPITAL EXPENDITURES AND LONG-TERM INVESTMENTS

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

	For the Year Ended December 31,		
	2019	2020	2021
	(in thousands of RMB)		
Acquisition of subsidiaries, net of cash acquired	(22,266)	(82,647)	(43,696)
Payment for the purchase of property, plant and equipment and intangible assets	(4,246)	(40,529)	(88,683)
Payment for purchase of wealth management products	(328,000)	(310,000)	(6,434,475)
Advances to third parties	(9,100)	(38,432)	(9,881)
Total	**(363,612)**	**(471,608)**	**(6,576,735)**

We intend to fund our future capital expenditures and long-term investments with our existing cash balance, cash generated from operating activities, and **[REDACTED]** from the **[REDACTED]**. See the section headed "Future Plans and **[REDACTED]**" for more details. We may reallocate the fund to be utilized on capital expenditure and long-term investments based on our ongoing business needs.

Our acquisitions of subsidiaries during the Track Record Period were accounted for as acquisitions of assets or business combinations. See page I-56 and I-95 of the Accountants' Report in Appendix I to this document for details about acquisitions accounted for as acquisitions of assets and acquisitions that constitute business combinations, respectively.

See "Business — Risk Management and Internal Control — Investment Risk Management" for a discussion of our investment policy and investment risk management.

CONTRACTUAL OBLIGATIONS

As of December 31, 2019, 2020 and 2021, we did not have any significant commitments.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we entered into a number of related party transactions, primarily including (i) key management personnel remuneration, and (ii) guarantees provided by related parties on the our bank loans.

We had the following transactions with related parties during the Track Record Period:

	For the Year Ended December 31,		
	2019	2020	2021
		(in thousands of RMB)	
Salaries and other emoluments	934	1,359	4,164
Discretionary bonuses	216	479	1,809
Retirement scheme contributions	53	11	189
Share based payment expenses	25,811	188,450	127,276
Total	**27,014**	**190,299**	**133,438**

	As of December 31,		
	2019	2020	2021
		(in thousands of RMB)	
Guarantees provided by related parties on the Group's bank loans at the end of the reporting	83,900	203,511	10,420
Advance from a non-controlling shareholder of the Group	—	—	7,300
Repayment to a non-controlling shareholder of the Group	—	—	6,300

The related parties providing guarantees include Mr. Kuang and his spouse and the ultimate beneficial owner of a non-controlling shareholder of a subsidiary. The guarantees provided by Mr. Kuang and his spouse have been released as of the date of this document. The remaining guarantees will be released upon the repayment of the related bank loans and will not be released upon the completion of the **[REDACTED]** unless the related bank loans have been repaid by then. Advance from a non-controlling shareholder of the Group represents a loan that Zhejiang Qilian Medicine Co., Ltd., or Qilian, borrowed from a minority shareholder of Qilian to support its operations. We acquired 55% equity interest of Qilian in the six months ended June 30, 2021. Repayment to a non-controlling shareholder of the Group represents the partial repayment Qilian has made to the lending shareholder. We expect Qilian to repay the remaining portion of the loan in 2022 in accordance with its agreement with the minority shareholder and carry the loan after the completion of the **[REDACTED]** if that occurs before the repayment.

The following table sets forth the outstanding balances of our transactions with related parties as of the dates indicated:

	As of December 31,		
	2019	2020	2021
	(in thousands of RMB)		
Amounts due from Mr. Kuang Ming in relation to issuance of convertible redeemable preferred shares	2,093	1,957	—
Amounts due from Mr. Kuang Ming in relation to share-based payment	40	6,892	11,877
Amounts due from Ms. Xu Lili in relation to share-based payment	—	—	192
Amounts due to non-controlling shareholders	—	—	1,000
Total	**2,133**	**8,849**	**13,069**

The balances with related parties are unsecured and non-trade in nature. Amounts due from Mr. Kuang in relation to issuance of convertible redeemable preferred shares have been settled in July 2021. Amounts due from Mr. Kuang and Ms. Xu in relation to share-based payment will be fully settled before the completion of the **[REDACTED]**. Amounts due to a non-controlling shareholder of Qilian will be settled in 2022 as described above.

See note 29 to the Accountants' Report in Appendix I to this document for details regarding our material related party transactions.

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

FINANCIAL RISK DISCLOSURE

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

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in our financial loss. Our credit risk is primarily attributable to trade receivable. Our exposure to credit risk arising from cash and cash equivalents and bills receivables are limited because the counterparties are banks and financial institutions with good credit standing, which we consider to have low credit risk.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. The receivables from the five largest debtors at December 31, 2019, December 31, 2020 and December 31, 2021 represented 42%, 41% and 35% of the total trade receivables respectively, while 14%, 12% and 11% of the total trade receivables were due from the largest single debtor respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These take into account the customer's past payment history, financial position and other factors. Normally, we do not obtain collateral from customers.

We measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. As our historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between our different customer bases.

Liquidity Risk

Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of our non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date we can be required to pay:

	Within 1 year or on demand	More than 1 and but less than 2 years	More than 2 but less than 5 years	More than 5 years	Total
			(in thousands of RMB)		
At December 31, 2019					
Bank and other loans	86,161	—	—	—	86,161
Trade payables	52,507	—	—	—	52,507
Other payables and accrued expenses	150,037	—	—	—	150,037
Financial liabilities at FVTPL	1,720,329	—	—	—	1,720,329
Lease liabilities	2,880	1,159	653	—	4,692
	2,011,914	1,159	653	—	2,013,726
At December 31, 2020					
Bank and other loans	207,808	—	—	—	207,808
Trade payables	76,032	—	—	—	76,032
Other payables and accrued expenses	184,935	—	—	—	184,935
Financial liabilities at FVTPL	4,478,160	—	—	—	4,478,160
Lease liabilities	4,569	2,113	279	—	6,961
	4,951,504	2,113	279	—	4,953,896
At December 31, 2021					
Bank and other loans	115,337	—	—	—	115,337
Trade payables	67,763	—	—	—	67,763
Other payables and accrued expenses	456,555	—	—	—	456,555
Financial liabilities at FVTPL	8,907,708	—	—	—	8,907,708
Lease liabilities	4,447	2,842	2,184	—	9,473
	9,551,810	2,842	2,184	—	9,556,836

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from cash at banks, wealth management products issued by banks, bank and other loans and lease liabilities. Instruments bearing interest at variable rates and fixed rates expose us to cashflow interest rate risk and fair value interest rate risk respectively. We regularly review our strategy on interest rate risk management in the light of the prevailing market condition. Details of the description of our interest rate risk profile are presented in notes 27(c) to the Accountants' Report in Appendix I to this document.

Fair Value Measurement

The following table presents the fair value of our financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

- Level 3 valuations: Fair value measured using significant unobservable.

We engaged AVISTA Group Limited, an external valuer to perform valuations for the financial instruments, including convertible redeemable preferred shares and convertible loans. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by our management.

During the fiscal years ended December 31, 2019 and 2020 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Our policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. Details of our fair value measurements have been disclosed in notes 27(d) to the Accountants' Report in Appendix I to this document.

FUTURE DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the 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.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated **[REDACTED]** from the **[REDACTED]**, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. We had negative cash flows from operations during the Track Record Period. Our net cash used in operating activities was RMB316.4 million, RMB474.3 million and RMB666.3 million, respectively, during the fiscal years ended December 31, 2019, 2020 and 2021. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

DISTRIBUTABLE RESERVES

As of December 31, 2021, we did not have any distributable reserves.

[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.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Company prepared in accordance with Rule 4.29 of the Listing Rules and is set out below for the purpose of illustrating the effect of the **[REDACTED]** on the consolidated net tangible liabilities attributable to equity shareholders of our Company as if the **[REDACTED]** had taken place on December 31, 2021.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our financial position had the **[REDACTED]** been completed as at December 31, 2021 or at any future dates.

	Consolidated net tangible liabilities of the Group attributable to equity shareholders of our Company as at December 31, 2021 [(1)]	Estimated [REDACTED] from the [REDACTED] [(2)]	Estimated impact upon the conversion of the Preferred Shares in issue as at December 31, 2021 [(3)]	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company per Share [(4)]	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$[(5)]*
Based on an **[REDACTED]** of **[REDACTED]** per Share	(7,306,557)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of **[REDACTED]** per Share	(7,306,557)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The consolidated net tangible liabilities of our Company attributable to equity shareholders of our Company as at December 31, 2021 is arrived at after (i) deducting goodwill of RMB25,625,000 and intangible assets of RMB164,583,000 and (ii) adjusting the share of intangible assets attributable to non-controlling interests of RMB21,603,000 from the total deficit attributable to equity shareholders of our Company of RMB7,137,952,000 as at December 31, 2021, which is extracted from the Accountants' Report set out in Appendix I to this document.

(2) The estimated **[REDACTED]** from the **[REDACTED]** are based on the issuance of **[REDACTED]** Shares and the estimated **[REDACTED]** of **[REDACTED]** per Share and **[REDACTED]** per Share, being the minimum **[REDACTED]** and maximum **[REDACTED]** of the indicative **[REDACTED]** range respectively, after deduction of the estimated **[REDACTED]** and other related expenses related to **[REDACTED]** and takes no account of any Shares that may be issued upon exercise of the **[REDACTED]**, and excluding any Shares which may be issued or repurchased by our Company pursuant to the general mandates, and any Shares which may be issued pursuant to the **[REDACTED]** Equity Incentive Scheme.

The estimated **[REDACTED]** from the **[REDACTED]** is converted into RMB at an exchange rate of HK$1.1716 to RMB1 published by PBOC prevailing on June 10, 2022. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted into RMB, or vice versa, at that rate or at any other rate or at all.

(3) As at December 31, 2021, the aggregate carrying amount of convertible redeemable preferred shares was RMB8,907,708,000. Upon the **[REDACTED]**, the convertible redeemable preferred shares will be automatically converted into ordinary shares of our Company and will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company would be increased by **[REDACTED]** for the conversion of convertible redeemable preferred shares to ordinary shares had the **[REDACTED]** been taken place on December 31, 2021.

(4) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that **[REDACTED]** Shares were in issue (which is calculated based on 96,756,026 Shares in issue (excluding the 73,329,635 treasury shares held by Prime Forest Assets Limited, as depositary, which are reserved for future delivery upon exercise or vesting of share awards granted under the Company's 2015 Global Share Plan) as at December 31, 2021, **[REDACTED]** Shares would been converted from the convertible redeemable preferred shares in issue as at December 31, 2021 and **[REDACTED]** Shares to be issued under the **[REDACTED]**) without taking into account of any Shares which may be issued upon exercise of the **[REDACTED]**, any Shares which may be issued or repurchased by the Company pursuant to the general mandates, and any Shares which may be issued pursuant to the **[REDACTED]** Equity Incentive Scheme.

(5) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company per Share is converted into Hong Kong dollars at an exchange rate of RMB1 to HK$1.1716 published by PBOC prevailing on June 10, 2022. No representation is made that RMB amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate or at any other rate or at all.

(6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company to reflect any trading result or other transactions of the Group subsequent to December 31, 2021.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2021, which is the end date of the periods reported on in the Accountants' Report included in Appendix I to this document, and there is no event since December 31, 2021 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

FUTURE PLANS

See "Business — Our Strategies" in this document for a detailed description of our future plans.

[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.

The following table sets forth the implementation plans, expected timeframe and the amount and percentage of **[REDACTED]** in respect of our business expansion, medical and technology capability advancement, and strategic alliances and investments.

A Business expansion

(1)	Continue to expand our hospital network and deepen our partnerships with hospitals	Amount and percentage of [REDACTED] [REDACTED] (approximately [REDACTED])
	Implementation plan	**Expected Timeframe and Allocation**
(i)	We will hire 800 to 1,000 in-house or outsourced business development staff, with experience in the healthcare industry to be dedicated to the expansion of our hospital coverage, of which 50% are senior business development staff with over 5 years of experience and the remainder are junior support staff. We plan to offer competitive compensation packages combining a base remuneration of at least RMB300,000 per year for senior staff and at least RMB150,000 per year for junior staff, with a performance-based rewarding mechanism to attract more high-performance sales personnel and continue to incentivize them. Leveraging the newly hired and existing business development staff, we will install our hospital SaaS, *ClouDr*. Yihui, in more Class III and Class II hospitals across China to facilitate the standardization and digitalization of in-hospital medical diagnosis and treatment. We aim to install *ClouDr*. Yihui in more than 1,000 Class III hospitals, representing a penetration rate of 25% and above among all Class III hospitals in China, in more than 4,000 Class II hospitals, representing a penetration rate of over 30% among all Class II hospitals in China, and in more than 5,000 Class III hospitals in the next five years.	before December 2023 **[REDACTED]** of **[REDACTED]**

(1)	Continue to expand our hospital network and deepen our partnerships with hospitals	Amount and percentage of [REDACTED] [REDACTED] (approximately [REDACTED])
(ii)	We will increase the penetration of our full in-hospital solutions including hospital SaaS, hospital supplies and digital marketing services, by providing dedicated support and offering discounts or free trials for bundled solutions. We plan to allocate at least 1 business development staff for each hospital that we have access to. In addition, we will drive adoption of hospital SaaS across more departments within hospitals to further facilitate multi-department collaboration. We plan to have 30% of our hospitals fully adopt our integrated in-hospital solutions by 2023 and 50% fully adopt by 2026. We also aim to deploy *ClouDr. Yihui* in an average of 6 departments in hospitals installed with *ClouDr. Yihui* for at least one year in the next five years.	before December 2026 **[REDACTED]** of **[REDACTED]**
(iii)	We will expand our chronic condition coverage and we will hire 20-40 medical professionals with experience in chronic condition management to support such expansion, along with other efforts including our investments in doctors' continuing education and our initiative to establish the chronic condition management ecosystem. We plan to cover chronic conditions such as kidney disease and hyperlipemia management. We also plan to cover the full cycle of chronic condition management at a more granular level such as extending from diabetes management to gestational diabetes mellitus management. This will allow us to better facilitate doctors and nurses with management and treatment of patients' chronic conditions, which in turn will further deepen our partnership with hospitals. With that, we will also be able to connect with more medical devices such as oximeter, blood lipid meter and uric acid meter.	before December 2023 **[REDACTED]** of **[REDACTED]**

(2)	Continue to enlarge our pharmacy network and drive monetization	Amount and percentage of [REDACTED] [REDACTED] (approximately [REDACTED])
	Implementation plan	**Implementation plan**
(i)	We will hire 200 to 300 in-house or outsourced business development staff, with experience in the healthcare industry to be dedicated to the expansion of our pharmacy coverage, of which 50% are senior business development staff with over 5 years of experience and the remainder are junior support staff. We plan to offer competitive compensation packages combining a base remuneration of at least RMB200,000 per year for senior staff and at least RMB100,000 per year for junior staff, with a performance-based rewarding mechanism to attract more high-performance sales personnel and continue to incentivize them. We plan to dedicate 40% of our newly hired business development staff to focus on large-scale pharmacy chains and we plan to dedicate 40% to focus on pharmacies in lower tier cities. We aim to install *ClouDr. Pharmacy* in at least 250,000 pharmacies by 2023 and at least 350,000 pharmacies by 2026, covering all provinces in China. 350,000 pharmacies by 2026 represents a penetration rate of approximately 60% of all pharmacies in China.	before December 2026 **[REDACTED]** of **[REDACTED]**
(ii)	We will invest to retain pharmacies that installed *ClouDr. Pharmacy* and continue to increase the paying ratio. We plan to allocate at least 200 business development staff to be dedicated to provide more tailored solutions and better customer experience for pharmacies. We will also strategically offer discounted prices or free trials aiming to increase pharmacies' stickiness. With that, we expect to maintain the paying ratio of over 50% as we further ramp up our pharmacy network and gradually reach 70% in the next five years.	before December 2026 **[REDACTED]** of **[REDACTED]**

(2)	Continue to enlarge our pharmacy network and drive monetization	Amount and percentage of [REDACTED] [REDACTED] (approximately [REDACTED])
(iii)	We will invest to help more pharmacies to establish the new retail business as online channel represents an increasingly important channel. We will hire 10 staff with over 3 years of experience in new retail, and allocate 50-80 software engineers aiming to help at least 200,000 pharmacy outlets to set up online pharmacy businesses in the next five years.	before December 2026 **[REDACTED]** of **[REDACTED]**

(3)	Grow our patient and doctor base	Amount and percentage of [REDACTED] [REDACTED] (approximately [REDACTED])
	Implementation plan	**Expected Timeframe and Allocation**
(i)	We will intensify our marketing efforts through both online and offline channels, such as hosting healthcare-related webinars and sponsoring academic conference sponsorships. This will grow our brand equity and raise our brand awareness among prospective doctors to attract more doctors to our platform.	ongoing **[REDACTED]** of **[REDACTED]**
(ii)	We will acquire new doctors and patients through targeted online marketing particularly emerging marketing channels such as Douyin and Kuaishou with higher ROI.	ongoing **[REDACTED]** of **[REDACTED]**
(iii)	We will hire 10-20 medical professionals with relevant qualifications to roll out 1-on-1 long-term chronic condition management services to individual users. Leveraging the expanded doctor's network, we will also invest to offer more comprehensive services such as online consultation with specialists and expert doctors to provide more comprehensive services throughout the chronic management life cycle.	ongoing **[REDACTED]** of **[REDACTED]**

B Medical and technology capability advancement

(1)	Strengthen our medical service capabilities to meet all-around demand from patients with chronic conditions	Amount and percentage of [REDACTED] [REDACTED] (approximately [REDACTED])
	Implementation plan	**Expected Timeframe and Allocation**
(i)	We will enlarge our medical paper library by obtaining publishing rights of additional research papers in chronic condition management. We aim to cover at least 4 million papers and articles in the next five years. This will further facilitate the development of our diagnosis systems.	before December 2026 **[REDACTED]** of **[REDACTED]**
(ii)	We will invest to conduct joint research with established medical institutions and universities, and conduct more clinical trials with top-tier hospitals and medical colleges to achieve better chronic condition treatment results. We established collaboration with the First People's Hospital of Kunshan (昆山市第一人民醫院) in April 2021 and, subsequently, established collaboration with Sir Run Run Shaw Hospital Affiliated with the Zhengjiang University School of Medicine (浙江大學醫學院附屬邵逸夫醫院) in May 2021, to conduct research on the effectiveness of cognitive behavioral therapy (CBT) on treatment for cardiovascular diseases. We intend to publish our research results in leading international medical journals to demonstrate our strengths in medical know-hows; and	before December 2026 **[REDACTED]** of **[REDACTED]**
(iii)	We plan to recruit 20 in-house doctors in the next 2 years to provide enhanced consultation and prescription services to patients, as well as personalized services to our paid members.	before December 2026 **[REDACTED]** of **[REDACTED]**
(iv)	Leveraging our medical know-hows, we will hire 3 staff with experience in content creation in the next 2 years to generate quality contents related to chronic condition management and deliver latest industry trends and medical knowledge to both doctors and patients.	before December 2026 **[REDACTED]** of **[REDACTED]**

(2)	Invest in technology innovations	Amount and percentage of [REDACTED] [REDACTED] (approximately [REDACTED])
	Implementation plan	**Expected Timeframe and Allocation**
(i)	We will hire 50 to 100 software engineers with experience in the technology industry to support our continuous technology innovations, of which 60% are senior software engineers and the remainder are junior software engineers. We plan to offer competitive compensation packages combined of a base remuneration of RMB500,000 or above per year for senior staff and RMB200,000 or above per year for junior staff, as well as a performance-based rewarding mechanism to attract more experienced software engineers and continue to incentivize them. Apart from maintaining our infrastructure system and SaaS products, our software engineers will advance our technological capabilities in various areas. For example, we will upgrade our AI-assisted matching algorithm between doctors and patients for our online consultation services. This will effectively shorten patients' wait time and facilitate more suitable matching based on patients' symptoms and needs. We aim to shorten patients' wait time from 180 seconds to 60 seconds in the next two years.	before December 2023 **[REDACTED]** of **[REDACTED]**
(ii)	We plan to invest in the R&D of the clinical decision support system (CDSS) based diagnosis and we aim to fully roll out the CDSS-based diagnosis in the next 2 years. With that, our upgraded AI-assisted diagnosis process will help to achieve higher accuracy rate.	before December 2023 **[REDACTED]** of **[REDACTED]**
(iii)	We plan to invest in the R&D of the cognitive behavioral therapy (CBT) based algorithm for more effective medical treatment. We plan to conduct clinic trials by collaborating with medical institutions and hospitals to test the effectiveness of such algorithms and we aim to fully roll out the CBT-based algorithm in the next two years and get NMPA certifications by 2026;	before December 2026 **[REDACTED]** of **[REDACTED]**

(2)	Invest in technology innovations	Amount and percentage of [REDACTED] [REDACTED] (approximately [REDACTED])
(iv)	We will invest to develop our network infrastructure and upgrade our computer hardware to improve our staff's work efficiency. We will also lease additional data centers and upgrade our data server to support for better scalability, higher reliability and faster data processing in the next 2 years.	before December 2026 **[REDACTED]** of **[REDACTED]**

(3)	Invest in product innovations	Amount and percentage of [REDACTED] [REDACTED] (approximately [REDACTED])
Implementation plan		**Expected Timeframe and Allocation**
(i)	We will allocate 20-30 staff with experience in both technology and healthcare to further optimize our SaaS and related products to better cater to hospitals and pharmacies' evolving needs. We will also invest to facilitate internal collaborations between our business development staff and R&D staff. For example, we plan to introduce more features on *ClouDr. Yihui* such as oximeter, blood lipid meter, and uric acid meter in the next two years to better facilitate the management and treatment of patients' chronic conditions and extend to other diseases.	before December 2023 **[REDACTED]** of **[REDACTED]**
(ii)	We will allocate 10-20 medical device professionals dedicated to the R&D of proprietary AIoT devices. For example, we will upgrade our self-developed AIoT devices to support compatibility with more types of medical devices. We will also invest to partner with leading medical device companies to roll out more AIoT devices. For example, we plan to introduce a noninvasive device that provides 24/7 blood sugar monitoring for patients in the next two years. These R&D efforts will enable us help doctors monitor and manage patients' conditions in a more efficient manner.	before December 2023 **[REDACTED]** of **[REDACTED]**

C Strategic alliances and investments

(1)	Expand our presence in the healthcare value chain	Amount and percentage of [REDACTED] [REDACTED] (approximately [REDACTED])
	Implementation plan	**Expected Timeframe and Allocation**
(i)	We may establish new partnerships with upstream pharmaceutical companies and medical device companies. We aim to expand our selection of pharmaceuticals, medical devices and consumables to our end customers and to increase the average number of SKUs for our digital marketing services to 100 in the next five years. We may also strategically partner with warehouses or third-party logistics companies. This will strengthen our downstream capabilities and provide complementary services to our end customers such as procurement fulfillment.	before December 2026 **[REDACTED]** of **[REDACTED]**

(2)	Invest in or establish strategic alliances with businesses operate in similar or adjacent verticals, include but not limited to	Amount and percentage of [REDACTED] [REDACTED] (approximately [REDACTED])
	Implementation plan	**Expected Timeframe and Allocation**
(i)	Invest in or establish strategic alliance with businesses with proven track records that synergize with our businesses, enrich our service offerings and potentially bring additional monetization channels, such as pharmacy chains and internet hospital operators. According to Frost & Sullivan, as of June 2021, as of December 31, 2020, the number of pharmacy chains with established pharmacy store network of more than 500 stores in China is approximately 50, and the number of licensed internet hospitals in China is more than 1,600.	before December 2026 **[REDACTED]** of **[REDACTED]**

(3)	Companies in possession of advanced technologies such as AI and cloud technologies that are related to our business	Amount and percentage of [REDACTED] [REDACTED] (approximately [REDACTED])

We have not yet identified any potential targets as of the Latest Practicable Date. After the **[REDACTED]** and with the receipt of the **[REDACTED]**, we plan to increase our focus on identifying desirable investment and acquisition targets and suitable business opportunities. Leveraging our business partnerships along the industry value chain, our connections with our shareholders and external advisors, and our increased brand recognition post the **[REDACTED]**, we plan to proactively identify potential targets and opportunities that meet our selection criteria described above. We will also appoint employees with relevant qualifications to focus on sourcing and executing potential transactions. We intend to execute acquisitions and investments when such opportunities arise in the next five years, subject to market conditions and the unpredictable nature of business acquisitions. We expect our growth strategies and the **[REDACTED]** to bring considerable operational and financial impact. Our expanded hospital and pharmacy network, larger doctor and patient base and deepened partnerships with industry participants will effectively drive our revenue growth. Our product and technology innovations and strategic alliances and investments will allow us to achieve margin expansions by benefitting from increased efficiencies and economies of scale. All these efforts will also enable us to solidify our leadership position in China's chronic condition management market.

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]**).

To the extent that the **[REDACTED]** from the **[REDACTED]** (including the **[REDACTED]** from the exercise of the **[REDACTED]**) are either more or less than expected, we may adjust our allocation of the **[REDACTED]** for the above purposes on a pro rata basis.

To the extent that the **[REDACTED]** of the **[REDACTED]** are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will hold such funds in short-term deposits in licensed bank(s) only so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-101, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CLOUDR GROUP LIMITED AND MORGAN STANLEY ASIA LIMITED AND J.P. MORGAN SECURITIES (FAR EAST) LIMITED

Introduction

We report on the historical financial information of ClouDr Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-101, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 2020 and 2021 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2019, 2020 and 2021 (the "**Track Record Period**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-101 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated **[REDACTED]** (the "**Document**") in connection with the **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public

Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2019, 2020 and 2021 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 26(b) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
[REDACTED]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

Consolidated statements of profit or loss

(Expressed in thousands of Renminbi, unless otherwise stated)

		Year ended 31 December		
	Note	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*4*	524,438	839,123	1,756,731
Cost of sales		(462,868)	(606,367)	(1,186,707)
Gross profit		61,570	232,756	570,024
Other net income	*5*	4,765	5,732	29,916
Selling and marketing expenses		(149,179)	(626,020)	(787,280)
Administrative expenses		(74,394)	(316,753)	(272,327)
Research and development expenses		(23,753)	(132,397)	(236,244)
Loss from operations		(180,991)	(836,682)	(695,911)
Finance costs	*6(a)*	(57,802)	(57,802)	(61,962)
Changes in fair value of financial liabilities	*6(c)*	(326,583)	(2,003,371)	(3,397,634)
Loss before taxation		(565,376)	(2,897,855)	(4,155,507)
Income tax	*7*	(13)	966	2,314
Loss for the year		(565,389)	(2,896,889)	(4,153,193)
Attributable to:				
— Equity shareholders of the Company		(557,397)	(2,866,975)	(4,138,913)
— Non-controlling interests		(7,992)	(29,914)	(14,280)
Loss for the year		(565,389)	(2,896,889)	(4,153,193)
Loss per share	*10*			
Basic and diluted (RMB)		(7.70)	(34.87)	(42.88)

Consolidated statements of profit or loss and other comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December		
		2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Loss for the year		(565,389)	(2,896,889)	(4,153,193)
Other comprehensive income for the year (after tax)				
Item that may be reclassified subsequently to profit or loss:				
Exchange difference on translation of:				
— Financial statements of overseas subsidiaries		(3,161)	145,590	131,932
Total comprehensive income for the year		(568,550)	(2,751,299)	(4,021,261)
Attributable to:				
— Equity shareholders of the Company		(560,558)	(2,721,385)	(4,006,981)
— Non-controlling interests		(7,992)	(29,914)	(14,280)
Total comprehensive income for the year		(568,550)	(2,751,299)	(4,021,261)

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At 31 December		
		2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*11*	6,796	24,300	36,213
Intangible assets	*12*	29,191	111,478	164,583
Goodwill	*13*	—	19,017	25,625
		35,987	154,795	226,421
Current assets				
Inventories	*14*	141,968	59,405	110,924
Trade and bills receivables	*15*	159,159	298,545	497,266
Prepayments, deposits and other receivables	*16*	223,824	260,371	420,045
Financial assets at fair value through profit or loss (FVTPL)	*17*	—	—	28,000
Cash and cash equivalents	*18*	601,164	914,226	1,090,575
Restricted cash	*18*	—	—	134,922
		1,126,115	1,532,547	2,281,732
Current liabilities				
Trade payables	*19*	52,507	76,032	67,763
Other payables and accrued expenses	*20*	150,037	184,935	456,555
Contract liabilities	*21*	22,697	120,737	93,593
Bank and other loans	*22*	83,900	203,511	114,383
Lease Liabilities	*23*	2,750	4,373	4,123
Financial liabilities at FVTPL	*24*	1,720,329	4,478,160	8,907,708
		2,032,220	5,067,748	9,644,125
Net current liabilities		(906,105)	(3,535,201)	(7,362,393)

	Note	At 31 December		
		2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Total assets less current liabilities		(870,118)	(3,380,406)	(7,135,972)
Non-current liabilities				
Lease liabilities	*23*	1,704	2,182	4,800
Deferred tax liabilities		—	10,630	14,359
		1,704	12,812	19,159
NET LIABILITIES		(871,822)	(3,393,218)	(7,155,131)
Capital and reserves				
Share capital	*26(c)*	46	56	110
Reserves	*26(d)*	(854,664)	(3,361,977)	(7,138,062)
Total equity attributable to equity shareholders of the 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)

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At 31 December		
		2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Investments in subsidiaries		87,008	292,759	518,438
Receivable due from subsidiaries	*30*	465,758	1,866,590	3,065,801
		552,766	2,159,349	3,584,239
Current assets				
Prepayments, deposits and other receivables	*16*	34,881	—	—
Receivable due from related parties	*29(c)*	2,133	8,849	12,069
Cash and cash equivalents	*18*	200,163	16,072	53,556
		237,177	24,921	65,625
Current liabilities				
Other payables and accrued expenses	*20*	78,115	92,514	38,810
Financial liabilities at FVTPL	*24*	1,055,497	4,023,378	8,907,708
		1,133,612	4,115,892	8,946,518
NET LIABILITIES		(343,669)	(1,931,622)	(5,296,654)
Capital and reserves				
Share capital	*26(c)*	46	56	110
Reserves	*26(d)*	(343,715)	(1,931,678)	(5,296,764)
TOTAL DEFICIT		(343,669)	(1,931,622)	(5,296,654)

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

(Expressed in thousands of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the Company							
	Note	Share capital	Capital reserve	Share-based payments reserve	Exchange reserve	Accumulated losses	Subtotal	Non-controlling interests	Total deficit
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note 26	Note 26	Note 25	Note 26				
Balance at 1 January 2019		42	2,654	9,447	(5,532)	(339,694)	(333,083)	(9,212)	(342,295)
Changes in equity for 2019:									
Loss for the year		—	—	—	—	(557,397)	(557,397)	(7,992)	(565,389)
Other comprehensive income		—	—	—	(3,161)	—	(3,161)	—	(3,161)
Total comprehensive income		—	—	—	(3,161)	(557,397)	(560,558)	(7,992)	(568,550)
Issuance of ordinary shares	26(c)(i)	4	18,750	(18,754)	—	—	—	—	—
Equity settled share-based payment	6(b)	—	—	39,023	—	—	39,023	—	39,023
Balance at 31 December 2019		46	21,404	29,716	(8,693)	(897,091)	(854,618)	(17,204)	(871,822)
Balance at 1 January 2020		46	21,404	29,716	(8,693)	(897,091)	(854,618)	(17,204)	(871,822)
Changes in equity for 2020:									
Loss for the year		—	—	—	—	(2,866,975)	(2,866,975)	(29,914)	(2,896,889)
Other comprehensive income		—	—	—	145,590	—	145,590	—	145,590
Total comprehensive income		—	—	—	145,590	(2,866,975)	(2,721,385)	(29,914)	(2,751,299)
Issuance of ordinary shares	26(c)(i)	10	126,484	(119,643)	—	—	6,851	—	6,851
Non-controlling interests arising from acquisition of subsidiaries	18(d)	—	—	—	—	—	—	15,821	15,821
Equity settled share-based payment	6(b)	—	—	207,231	—	—	207,231	—	207,231
Balance at 31 December 2020		56	147,888	117,304	136,897	(3,764,066)	(3,361,921)	(31,297)	(3,393,218)

		Attributable to equity shareholders of the Company									
	Note	Share capital	Treasury share reserve	Capital reserve	Share-based payments reserve	Other reserve	Exchange reserve	Accumulated losses	Subtotal	Non-controlling interests	Total deficit
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note 26	Note 26	Note 26	Note 25		Note 26				
Balance at 1 January 2021		56	—	147,888	117,304	—	136,897	(3,764,066)	(3,361,921)	(31,297)	(3,393,218)
Changes in equity for 2021:											
Loss for the year		—	—	—	—	—	—	(4,138,913)	(4,138,913)	(14,280)	(4,153,193)
Other comprehensive income		—	—	—	—	—	131,932	—	131,932	—	131,932
Total comprehensive income		—	—	—	—	—	131,932	(4,138,913)	(4,006,981)	(14,280)	(4,021,261)
Issuance of ordinary shares	*26(c)(i)*	47	—	—	—	—	—	—	47	—	47
Treasury shares	*26(d)(i)*	—	(47)	—	—	—	—	—	(47)	—	(47)
Non-controlling interests arising from acquisition of subsidiaries	*18(d)*	—	—	—	—	—	—	—	—	21,775	21,775
Capital injection into a subsidiary by non-controlling shareholders	—	—	—	—	—	—	—	—	—	8,100	8,100
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(1,477)	(1,477)
Equity-settled share-based payment	*6(b)*	—	—	—	222,619	—	—	—	222,619	—	222,619
Exercise of the share options	*25*	7	—	55,094	(49,316)	—	—	—	5,785	—	5,785
Issued share options as subsidiary acquisition consideration	*28*	—	—	—	—	2,546	—	—	2,546	—	2,546
Balance at 31 December 2021		110	(47)	202,982	290,607	2,546	268,829	(7,902,979)	(7,137,952)	(17,179)	(7,155,131)

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December		
		2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Operating activities				
Loss before taxation		(565,376)	(2,897,855)	(4,155,507)
Impairment loss on trade receivables	*6(c)*	2,791	8,357	2,718
Write down of inventories	*6(c)*	—	5,353	2,134
Depreciation	*6(c)*	2,975	7,076	15,409
Amortisation	*6(c)*	6,377	27,977	71,132
Loss on disposal of property, plant and equipment		53	308	751
Net gain on disposal of a subsidiary	*5*	–	–	(618)
Changes in fair value of financial liabilities	*6(c)*	326,583	2,003,371	3,397,634
Interest expense	*6(a)*	6,996	7,245	9,269
Interest on lease liabilities	*6(a)*	133	282	338
Interest income from other financial assets		(677)	(721)	(8,397)
Issuance cost of financial liabilities at FVTPL	*6(a)*	50,278	49,976	51,554
Equity-settled share-based payment expenses	*6(b)*	39,023	207,231	222,619
Changes in working capital:				
(Increase)/decrease in inventories		(103,207)	84,182	(16,012)
Increase in trade and bills receivables and other receivables		(149,302)	(132,547)	(213,946)
Increase in trade and other payables and accrued expenses		3,362	97,751	118,027
Increase/(decrease) in contract liabilities		19,669	93,618	(28,143)
Restricted cash collected from the insured on behalf of insurance companies	*18(a)*	—	—	(134,922)
Cash used in operations		(360,322)	(438,396)	(665,960)
Income tax paid		(13)	(69)	(373)
Net cash used in operating activities		(360,335)	(438,465)	(666,333)

	Note	Year ended 31 December		
		2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Investing activities				
Interest income received from other financial assets		677	721	8,397
Proceeds from disposal of property, plant and equipment		10	3	1,039
Proceeds from sales of wealth management products		368,000	310,000	6,406,475
Settlements received from advances to third parties		—	10,150	10,900
Acquisition of subsidiaries, net of cash acquired	*18(d)*	(22,266)	(82,647)	(43,696)
Disposal of a subsidiary		—	—	(1,042)
Payment for the purchase of property, plant and equipment and intangible assets		(4,246)	(40,529)	(88,683)
Payment for purchase of wealth management products		(328,000)	(310,000)	(6,434,475)
Payment for prior year acquisition of subsidiaries	*18(d)*	—	(9,462)	(4,531)
Deposit for acquisition of subsidiaries	*18(d)*	(1,670)	—	—
Advances to third parties		(9,100)	(38,432)	(9,881)
Net cash generated from/(used in) investing activities		3,405	(160,196)	(155,497)

	Note	Year ended 31 December		
		2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Financing activities				
Proceeds from bank and other loans	*18(b)*	205,900	326,111	370,256
Advances from a non-controlling shareholder of the Group	*18(b)*	—	—	7,300
Proceeds from issuance of convertible redeemable preferred shares and convertible loans	*18(b)*	832,720	949,987	1,183,526
Proceeds from issuance of convertible redeemable preferred shares to settle convertible loans	*18(b)*	11,580	66,529	213,930
Capital injection from non-controlling interests in a subsidiary		—	—	8,100
Repayment of bank and other loans	*18(b)*	(185,735)	(208,000)	(476,599)
Repayment of a non-controlling shareholder of the Group		—	—	(6,300)
Interest expense paid		(6,996)	(7,245)	(9,269)
Payment of capital element of lease liabilities	*18(b)*	(2,132)	(4,562)	(8,694)
Payment of interest element of lease liabilities	*18(b)*	(133)	(282)	(338)
Payment of repurchase of convertible redeemable preferred shares and convertible loans	*18(b)*	(6,037)	(35,867)	(8,117)
Payment of repurchase of convertible loan for issuance of convertible redeemable preferred shares	*18(b)*	(11,247)	(75,799)	(214,354)
Issuance cost of convertible redeemable preferred shares and the proposed issuance of new shares		(24,331)	(92,466)	(44,070)
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 1 January		143,782	601,164	914,226
Effect of foreign exchange rate changes		723	(6,683)	(17,192)
Cash and cash equivalents at 31 December		601,164	914,226	1,090,575

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in thousands of Renminbi unless otherwise stated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

1.1 General information

ClouDr Group Limited (the "**Company**") (formerly known as 91health Group Limited) was incorporated in the Cayman Islands on 24 August 2015 as an exempted company with limited liability under the Companies Act (As Revised) (as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, "**the Group**") are principally engaged in providing supplies and software as a service ("**SaaS**") to hospitals and pharmacies, digital marketing services to pharmaceutical companies, and online consultation and prescriptions to patients, all centered around chronic condition management.

Prime Forest Assets Limited ("**Prime Forest**") was incorporated in British Virgin Islands and was appointed as the holding company in July 2021 to hold the ordinary shares of the Company on trust for the Group's employees under the 2015 Global Share Plan ("**the Plan**") (note 25). As the Company has power to govern the relevant activities of Prime Forest and can derive benefits from the contributions of the eligible employees who are awarded with the shares under the Plan, the directors of the Company consider that it is appropriate to regard Prime Forest as a branch of the Company. No statutory financial statements have been prepared by Prime Forest in the Track Record Period.

1.2 Subsidiaries

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is an investment holding company which is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the jurisdictions in which they were incorporated or established.

As at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued/paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the subsidiaries	
Directly held					
ClouDr Group HK Limited (formerly known as 91health Group HK Limited) *(note (h)(i)(j))*. . .	Hong Kong 4 September 2015	HKD1	100%	—	Investment holding
Indirectly held					
91health Shanghai Limited 上海運臻網絡科技有限公司 *(note (a)(b)(c)(k))*	PRC 24 November 2015	USD6,500,000	—	100%	Sale of products
Hangzhou Kangsheng Health Management Consultant Co., Ltd. ("**Kangsheng**") 杭州康晟健康管理諮詢有限公司 ("**Kangsheng**") *(note (a)(b)(c)(k))*	PRC 9 December 2014	RMB10,000,000	—	100%	Provision of SaaS services, digital marketing services, sale and marketing of products
Shanghai Yitong Culture Media Co., Ltd. 上海怡通文化傳媒有限公司 *(note (a)(h)(i)(j))*	PRC 31 March 2006	RMB 10,000,000	—	100%	Advertising services
Beijing Tangjian Technology Co., Ltd. 北京唐健科技有限公司 *(note (a)(b)(c)(k))*	PRC 10 April 2017	RMB1,000,000	—	60%	Advertising services

Company name	Place and date of incorporation/ establishment	Particulars of issued/paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the subsidiaries	
Shandong Guoyitang Pharmaceutical Chain Co., Ltd. 山東國一堂大藥房連鎖有限公司 *(note (a)(b)(c)(k))* .	PRC 1 August 2014	RMB10,000,000	—	100%	Sales of pharmaceutical products and medical devices
Shanghai Kangmeng Health Management Consultation Co., Ltd. 上海康檬健康管理諮詢有限公司 *(note (a)(b)(c)(k))* .	PRC 22 January 2015	RMB5,000,000	—	100%	Rendering of digital marketing services
Tianjin Zhiyun Kanglian Technology Co., Ltd. 天津智雲康聯科技有限公司 *(note (a)(i)(j))*	PRC 9 April 2020	Nil	—	100%	Providing pharmacy SaaS solutions
Jiangsu Xinwange Medical Technology Co., Ltd. 江蘇新萬格醫療科技有限公司 *(note (a)(d)(h)(j))* . . .	PRC 11 October 2018	RMB12,000,000	—	55%	Sales of pharmaceutical products and medical devices
Shanghai Kanghe Information Technology Service Co., Ltd. 上海康合信息技術服務有限公司 *(note (a)(b)(c)(j))* .	PRC 6 May 2019	RMB900,000	—	90%	Rendering of digital marketing services
Chongqing Medical Public Creditability Medicine Wholesale Co., Ltd. 重慶醫藥公信網藥品批發有限公司 *(note (a)(e)(j))*	PRC 13 July 2015	RMB22,650,000	—	51%	Sales of pharmaceutical products and medical devices

Company name	Place and date of incorporation/ establishment	Particulars of issued/paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the subsidiaries	
Zhejiang Qilian Medicine Co., Ltd. 浙江啟聯醫藥有限公司 *(note (a)(f)(i)(j))*	PRC 8 May 2003	RMB20,000,000	—	55%	Sales of pharmaceutical products and medical devices
Held through Contractual Arrangements					
Hangzhou Kangming Information Technology Co., Ltd. 杭州康明信息技術有限公司 ("**Kangming**") *(note (a)(i)(k))*	PRC 11 December 2020	RMB24,000,000	—	100%	Provision of internet and e-commerce services
Yinchuan Zhiyun Internet Hospital Co., Ltd. 銀川智雲互聯網醫院有限公司 *(note (a)(b)(c)(k))*	PRC 12 July 2017	Nil	—	100%	Providing pharmacy SaaS solution
Yinbang Insurance Brokerage Co., Ltd. 銀邦保險經紀有限公司 *(note (a)(g)(j))*	PRC 5 September 2011	RMB50,000,000	—	100%	Distribution of insurance companies' products

Notes:

(a) The official names of these entities are in Chinese. The English translation of the names is for identification purpose only.

(b) The entities prepared the financial statements for the year ended 31 December 2019 in accordance with the Accounting Standards for Business Enterprises (the "**PRC GAAP**"). The financial statements were audited by Beijing Hengxincheng Certified Public Accountants Co., Ltd. (北京恒信誠會計師事務所有限公司).

(c) The entities prepared the financial statements for the year ended 31 December 2020 in accordance with the PRC GAAP. The financial statements were audited by Hangzhou Xiaoshen Accountant Firm Co., Ltd. (杭州蕭審會計師事務所有限公司).

(d) The entity prepared the financial statements for the year ended 31 December 2020 in accordance with the PRC GAAP. The financial statements were audited by Lianyungang Yuda Certified Public Accountants (General Partnership) (連雲港譽達會計師事務所 (普通合夥)).

(e) The entity prepared the financial statements for the years ended 31 December 2019 and 2020 in accordance with the PRC GAAP. The financial statements for the years ended 31 December 2019 were audited by Chongqing Zhongding Accounting Office Co., Ltd. (重慶中鼎會計師事務所有限責任公司). The financial statements for the year ended 31 December 2020 were audited by Chongqing Hongyuan Certified Public Accountants Co., Ltd. (重慶鴻源會計師事務有限公司).

(f) The entity prepared the financial statements for the year ended 31 December 2019 in accordance with the PRC GAAP. The financial statements were audited by Hangzhou Tianming Certified Public Accountants (General Partnership) (杭州天銘會計師事務所 (普通合夥)).

(g) The entity prepared the financial statements for the years ended 31 December 2019 and 2020 in accordance with the PRC GAAP. The financial statements were audited by Shenzhen Dagong Certified Public Accountants (General Partnership) (深圳大公會計師事務所 (普通合夥)).

(h) No audited financial statements of these entities have been prepared for the year ended 31 December 2019.

(i) No audited financial statements of these entities have been prepared for the year ended 31 December 2020.

(j) No audited financial statements of these entities have been prepared for the year ended 31 December 2021.

(k) The entities prepared the financial statements for the year ended 31 December 2021 in accordance with the PRC GAAP. The financial statements were audited by Hangzhou Xiaoshen Accountant Firm Co., Ltd. (杭州蕭審會計師事務所有限公司).

All companies of the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs that are effective during the Track Record Period. Except for Amendments to IFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*, the Group has not adopted any revised and new standards or interpretations issued but not yet effective for the accounting period beginning on 1 January 2021, the details of which are set out in note 33.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Going concern

Notwithstanding that the Group recorded net current liabilities of RMB7,362,393,000 and net liabilities of RMB7,155,131,000 as at 31 December 2021, which is primarily due to several rounds of financing by issuing convertible redeemable preferred shares (note 24) totaling RMB8,907,708,000 which is recognized as financial liabilities as at 31 December 2021, the Historical Financial Information has been prepared on a going concern basis based on the following:

— under the terms of related agreements, these preferred shares will automatically be converted into ordinary shares upon the closing of the **[REDACTED]** of the Company's shares.

— the directors of the Company do not expect that the convertible redeemable preferred shares would be redeemed within the next twelve months from 31 December 2021.

— the directors and management of the Company have considered that the preferred rights and the redemption features of these convertible redeemable preferred shares would be terminated upon **[REDACTED]** and the preferred shares will be converted into equity, leading to net current assets position and net assets position.

— the directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from the date of this report and are of the opinion that the Group will have sufficient working capital to meet its liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from the date of this report.

Accordingly, the directors of the Company are of the opinion that no material uncertainty exists for the Historical Financial Information to be prepared on a going concern basis.

(b) Basis of measurement

The Historical Financial Information is presented in RMB, rounded to the nearest thousand unless otherwise indicated.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— Financial assets at FVTPL (see note 2(f)); and

— Financial liabilities at FVTPL (see note 2(p)).

(c) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

(i) Subsidiaries controlled through Contractual Arrangements

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content and other restricted businesses, the Group operates its value-added telecommunication services, internet hospitals and offline medical institution services and insurance brokage services (the "**Relevant business**") in the PRC through certain PRC operating entities, whose equity interests are held by certain management members of the Group and certain investors of the Company ("**Nominee Shareholders**"). The Group signed Contractual Arrangements (the series of contractual arrangements entered into between, among others, 91health Hangzhou Limited (a wholly foreign owned enterprises or the "**WFOE**") and Kangming, Mr. Kuang Ming and Ms. Hu Yue) with the PRC operating entity. The Contractual Arrangements include exclusive consulting services agreement, exclusive purchase option agreement, equity pledge agreement, voting proxy agreement and loan agreements, which enable the Group to:

- govern the financial and operating policies of the PRC operating entity;
- exercise equity holder voting rights of the PRC operating entity;
- receive substantially all of the economic interest returns generated by the PRC operating entity in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion;
- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in the PRC operating entity at any time and from time to time, at the minimum consideration permitted by the relevant law in China at the time of transfer; and
- obtain a pledge over all of its equity interests from its respective Nominee Shareholders as collateral for all of the PRC entity's payments due to the Group to secure performance of entities' obligation under the Contractual Arrangements.

Accordingly, the Group has rights to control the entity. As a result, it is presented as entity controlled by the Group.

(ii) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability

resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability.

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i) then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 27(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(u)(ii)).

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value through profit or loss (FVTPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve

(non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognised in profit or loss as other income.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(j)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follow:

— Electronic and production equipment	3–5 years
— Office Equipment	3–6 years
— Motor vehicles	3–5 years
— Leasehold improvements	1–5 years
— Right-of-use assets	Over the lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(j)).

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Patent	10 years
— Software	2-10 years
— Exclusive rights	2-5 years
— License	2-5 years
— Customer relationship	5-10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

The patent useful life is determined based on the period of validity of patent protected by the relevant laws after considering the period of the economic benefits to the Group, technical obsolescence and estimates of useful lives of similar assets.

The software useful lives are determined to be the shorter of the period of contractual rights or estimated period during which such software can bring economic benefits to the Group considering the different purposes, usage of the software and technological obsolescence.

The customer relationship useful lives are determined with reference to each acquired business existing contract based on contract expiring dates, historical trend of termination or renewal rate and to the useful lives of customer relationships used by the industry peers.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group, are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(j)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in

paragraph 46B of IFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including trade and bills receivables, other receivables, and cash and cash equivalents).

Other financial assets measured at fair value, including investments in wealth management products, are not subject to the ECL assessment.

Measurement of ECLs

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

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

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

— variable-rate financial assets: current effective interest rate.

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

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

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

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

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

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— Right-of-use assets;

— intangible assets;

— goodwill; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time

value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(j)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(j)(i).

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(u)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(u)(ii)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Convertible redeemable preferred shares and convertible loans

The Group designated convertible redeemable preferred shares as financial liabilities at FVTPL. They are initially recognised at fair value. Subsequent to initial recognition, the convertible redeemable preferred shares are re-measured to fair value at the end of each reporting period with changes in fair value being recognised in profit or loss, except that changes in fair value of convertible redeemable preferred shares that are attributable to changes in its own credit risk are presented in other comprehensive income.

The convertible loans contain both a debt component and an embedded derivative component (conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments). The convertible loans are accounted in its entirety at fair value. Subsequent to initial recognition, the convertible loans are re-measured to fair value at the end of each reporting period with changes in fair value being recognised in profit or loss, except that changes in fair value of the convertible loans that are attributable to changes in its own credit risk are presented in other comprehensive income.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(w)).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based payments reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payments reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payments reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the **[REDACTED]** of the Company's shares. The equity amount is recognised in the share-based payments reserve until either the option is exercised (when it is included in the amount recognised in share-based payments for the shares issued) or the option expires (when it is released directly to retained profits).

Modifications of an equity settled share-based payment arrangement are accounted for only if they are beneficial to the employee. If the Group modifies the terms and conditions of the equity instruments granted in a manner that reduces the fair value of the equity instruments granted, or is not otherwise beneficial to the employee, the Group continues to recognize the services received measured as the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(s) Income tax

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

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

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

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue and other income

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

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group transfers control of goods or services and recognizes revenue over time, if one of the following criteria is met:

— The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

— The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or services.

The Group derives revenue from sales of hospital supplies, pharmacy supplies and chronic condition products to individuals, rendering of digital marketing services, providing hospital SaaS and pharmacy SaaS, premium membership services and others.

(a) Sales of hospital supplies, pharmacy supplies and chronic condition products to individuals

Revenue from sales of hospital supplies, pharmacy supplies and chronic condition products to individuals is recognized at the point in time when control of the asset is transferred to customer, generally on acceptance of the pharmaceutical products and medical devices by the customer.

(b) Rendering of digital marketing services

Digital marketing services involve provision of professional medical marketing services to the pharmaceutical and medical device companies. The revenue is generally recognized when the services are rendered and completed.

(c) Providing hospital SaaS and pharmacy SaaS

The Group provides hospitals with SaaS that deliver digitalized clinic care for patients in-hospital. The pharmacy SaaS facilitate pharmacies with customer and resource management, such as in-store online consultation and prescription services for customers. The Group charges hospital/pharmacy a subscription fee with respect to the software offerings. Typical SaaS product contracts has terms of one year. The subscription fee is recognized over the contract period.

(d) Premium membership services

The Group provides instant, professional care for chronic conditions and other health management services for individuals through its individual chronic condition management platform. The Group charges individual members annual membership fees based on membership tiers and service packages. The Membership fee is recognised over the service period.

(e) Others

Others includes rendering insurance brokerage service and advertisement agent services.

— Rendering insurance brokerage service

The Group sells the consumer healthcare packages of different insurance companies to individual consumers on a retail basis or to corporate customers for the benefit of their employees on a wholesale basis, as an agent through its insurance brokerage service. The commission fees are

generally charged as a percentage of sales of insurance slips depending on the product category and terms of contract companies. The revenue is generally recognized when the healthcare packages are sold and the Group has a present right to payment from the insurance companies since the Group has fulfilled its performance obligation to sell healthcare packages on behalf of the insurance companies.

— Rendering advertisement agent services

Revenue from advertisement agent services is primarily derived from commissions received for assisting advertising clients in obtaining advertising time on media platforms. When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group. The revenue is generally recognized when the Group's advertising clients obtain the advertising time on media platforms.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(j)(i)).

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognized as deferred income and are subsequently recognized in profit or loss over the useful life of the related asset.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the

methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(z) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Expected credit losses for receivables

The credit losses for trade receivables and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 27(a). Changes in these assumptions and estimates could materially affect the result of the assessment and the Group may make additional loss allowances in future periods.

(b) Fair value of financial instruments

The financial instruments issued by the Group mainly represents convertible redeemable preferred shares and convertible loans which are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group uses its judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. The Group has used discounted cash flow method and Backsolve

method to determine the business value of the Group, and adopted the option pricing method to determine the fair value of convertible redeemable preferred shares and convertible loans, which involved the use of significant accounting estimates and judgements. Key assumptions such as risk-free rate, volatilities, weighted average cost of capital and discount for lack of marketability are disclosed in Note 24.

(c) Impairment of non-current assets (other than goodwill)

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(j)(ii). These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable.

When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2(j)(ii). The recoverable amounts of cash-generating units have been determined based on the higher of the cash-generating units' fair value less costs to sell and its value in use. These calculations require the use of estimates which are disclosed in Note 13.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue from contracts with customers

(i) Disaggregation of revenue

The Group's product portfolio consists essentially of three major product or service lines, namely in-hospital solution, pharmacy solution and individual chronic condition management solution and others.

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Type of goods or services:			
In-hospital solution			
Hospital supplies	129,911	250,124	854,114
Hospital SaaS	11,857	22,660	15,666
Digital marketing services	35,448	149,391	402,958
Pharmacy solution			
Pharmacy supplies	326,863	330,480	300,961
Pharmacy SaaS	24	15,127	49,006
Individual chronic condition management solution and others			
Chronic condition products	15,704	34,846	53,031
Premium membership services	—	14,211	22,688
Others	4,631	22,284	58,307
	524,438	839,123	1,756,731
Timing of revenue recognition:			
Point in time	512,557	787,125	1,669,371
Over time	11,881	51,998	87,360
	524,438	839,123	1,756,731

During the Track Record Period, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective years are set out below:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Customer A	72,105	(*)	(*)

* Less than 10% of the Group's revenue in the respective year.

(ii) Revenue that expected to be recognised in the future arising from contracts in existence as at the end of each of the reporting period

The following table includes the aggregated amount of the transaction price allocated to the remaining unsatisfied performance obligations under the Group's existing contracts. This amount represents revenue expected to be recognised in the future when the Group satisfies the remaining performance obligations, which is expected to occur over the next 1 year to 2 years after the respective reporting period.

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Hospital SaaS	11,167	16,064	6,106
Pharmacy SaaS	727	33,241	47,477
Premium membership services	—	40,372	22,309
	11,894	89,677	75,892

(b) Segment reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, as for the purpose of making decisions about resources allocation and performance assessment, the Group's management reviews on the operating results of the Group as a whole, the Group has determined that it only has one operating segment during the Track Record Period.

5 OTHER NET INCOME

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Government grants	391	3,138	17,715
Interest income	4,243	4,133	10,729
Net gain on disposal of a subsidiary *(note (i))*	—	—	618
Foreign exchange gain/(loss)	304	140	(153)
Others	(173)	(1,679)	1,007
	4,765	5,732	29,916

Note:

(i) The net gain on disposal of a subsidiary represents the net income from disposing a subsidiary, Tianjin Hexi District Youyixinhe Comprehensive Clinic Co., Ltd, to an independent third party at a consideration of RMB2,550,000.

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Note	Year ended 31 December		
		2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Interest expenses	*18(b)*	6,996	7,245	9,269
Interest on lease liabilities	*18(b)*	133	282	338
Issuance cost of financial liabilities at FVTPL *(note (i))*		50,278	49,976	51,554
Other financial cost		395	299	801
		57,802	57,802	61,962

Note:

(i) Issuance cost of financial liabilities at FVTPL include primarily the financial advisory fees, lawyer fees, due diligence fees and registration fees in connection with issuance of convertible redeemable preferred shares.

(b) Staff costs

	Note	Year ended 31 December		
		2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits		66,104	239,720	445,168
Contributions to defined contribution retirement plan *(note (i))*		3,811	1,950	19,872
Equity-settled share-based payment expenses	*25*	39,023	207,231	222,619
		108,938	448,901	687,659

Note:

(i) Employees of the Group are required to participate in a defined contribution retirement scheme administered and operated by the local municipal governments where the subsidiaries are registered. The Group contributes funds which are calculated on certain percentages of the average employee salary as agreed by the respective local municipal governments to the scheme to fund the retirement benefits of the employees.

According to <The notification about progressively relief corporate social insurance > (Department of human resource and social security [2020]11) and <notification about extension of implementation period for about progressively relief corporate social insurance> (Department of human resource and social security [2020]49), certain subsidiaries in the Group are entitled to relief of social insurance contribution from February 2020 to December 2020.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Note	Year ended 31 December		
		2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Amortisation of intangible assets	*12*	6,377	27,977	71,132
Depreciation expenses	*11*	2,975	7,076	15,409
Write down of inventories	*14*	—	5,353	2,134
Changes in fair value of financial liabilities	*24*	326,583	2,003,371	3,397,634
Impairment loss on trade receivables	*15*	2,791	8,357	2,718
Cost of inventories	*14*	455,187	576,714	1,084,105

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Current tax	13	291	1,774
Deferred tax	—	(1,257)	(4,088)
	13	(966)	(2,314)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Loss before taxation	(565,376)	(2,897,855)	(4,155,507)
Notional tax calculated at tax rate of 25% and 20% *(note (i))*	(141,396)	(725,150)	(1,039,579)
Different tax rates in foreign tax jurisdictions *(notes (ii)(iii))*	74,675	472,097	835,383
Tax effect of non-deductible expenses	17,323	42,518	38,739
Additional deduction qualified research and development costs *(note (iv))*	(5,647)	(16,193)	(44,296)
Utilisation of previously unrecognised tax losses	—	(158)	(3,806)
Deductible temporary differences not recognized as deferred taxes	5,512	24,786	3,495
Unrecognized deductible losses	49,546	201,134	207,750
	13	(966)	(2,314)

Notes:

(i) The subsidiaries of the Group established in the Mainland China (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% and 20%, which certain subsidiaries are identified as micro and small business during the Track Record Period.

(ii) Pursuant to the rules and regulations of the Cayman Islands ("**BVI**"), the Company and the Group's BVI subsidiaries are not subject to income tax in those jurisdictions.

(iii) The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong profit tax at 16.5% of the estimated assessable profit. No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the Track Record Period.

(iv) Effective from 1 January 2019 to 31 December 2021, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations.

(c) Deferred tax assets not recognised

As at 31 December 2019, 2020 and 2021, the Group has unused tax losses of approximately RMB428 million, RMB1,233 million and RMB2,060 million, respectively, available for offset against future profits. No deferred tax assets have been recognised in respect of the tax losses due to the unpredictability of future profits streams.

Pursuant to the notice of the Ministry of Finance and the State Administration of Taxation on extending the loss carrying forward period of high-tech enterprises and high-tech small and medium enterprises (Cai Shui [2018] No. 76), with effect from 1 January 2018, losses of qualified high-tech enterprises and high-tech small and medium enterprises in the current year occurred five years before the year in which they become qualified and have not been made up shall be allowed to be carried forward to subsequent years to be made up, and the maximum carry-forward period shall be extended from five years to 10 years. Kangsheng was qualified as high-tech small and medium enterprise and the unused tax losses of Kangsheng will be expired in 10 years from the year that the tax loss was occurred.

The unused tax losses will be expired as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
2020	(7,672)	—	—
2021	(24,984)	(26,967)	—
2022	(17,481)	(17,358)	(17,352)
2023	(45,596)	(46,963)	(50,519)
2024	(93,282)	(98,650)	(101,156)
2025	(10,424)	(328,914)	(329,926)
2026	(27,405)	(27,405)	(194,900)
2027	(47,777)	(47,777)	(47,777)
2028	(48,090)	(48,090)	(48,090)
2029	(104,901)	(104,901)	(104,901)
2030	—	(486,040)	(486,040)
2031	—	—	(679,461)
	(427,612)	(1,233,065)	(2,060,122)

8 DIRECTORS' EMOLUMENTS

Details of the emoluments of the director during the Track Record Period are as follows:

	Year ended 31 December 2019						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments *(note (a))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director							
Kuang Ming	—	217	76	15	308	20,022	20,330

	Year ended 31 December 2020						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments *(note (a))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director							
Kuang Ming	—	218	101	4	323	147,100	147,423

	Year ended 31 December 2021						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments *(note (a))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director							
Kuang Ming	—	980	510	25	1,515	14,594	16,109
Non-executive director							
Lee Kar Chung Felix	—	—	—	—	—	—	—
	—	980	510	25	1,515	14,594	16,109

Notes:

(a) These represent the estimated value of share options/restricted share units granted to the directors under the 2015 Global Share Plan. The value of these equity instruments are measured according to the Group's accounting policies for share-based payment transactions and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 25.

(b) Lee Kar Chung Felix was appointed as non-executive director of the Company on 21 May 2021. Hong Weili, Zhang Saiyin and Ang Khai Meng will be appointed as independent non-executive director of the Company on **[REDACTED]**. During the Track Record Period, no remuneration had been rendered to them.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, one is a director of the Company for each of the year ended 31 December 2019, 2020 and 2021, respectively, whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowance and benefit in kind	2,364	2,553	3,872
Discretionary bonuses	500	719	1,548
Share based payment expenses	18,006	49,382	139,338
	20,870	52,654	144,758

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended 31 December		
	2019	**2020**	**2021**
	Number of individuals	*Number of individuals*	*Number of individuals*
HKD0–HKD1,000,000	2	—	—
HKD2,500,001–HKD3,000,000	—	1	—
HKD5,500,001– HKD6,000,000	—	1	—
HKD7,000,001–HKD7,500,000	1	—	—
HKD8,500,001–HKD9,000,000	—	1	1
HKD14,500,001–HKD15,000,000	1	—	—
HKD36,500,001–HKD37,000,000	—	—	1
HKD38,500,001–HKD39,000,000	—	—	1
HKD44,500,001–HKD45,000,000	—	1	—
HKD90,000,001– HKD90,500,000	—	—	1

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share during the Track Record Period is based on the loss for the year attributable to ordinary equity shareholders of the Company divided by the weighted average number of ordinary shares in issue during the Track Record Period.

Weighted average number of ordinary shares for the purpose of basic loss per share:

	Year ended 31 December		
	2019	**2020**	**2021**
	Number of shares '000	*Number of shares '000*	*Number of shares '000*
Issued ordinary shares and ordinary shares deemed to be in issue at the beginning of the year	72,283	77,173	92,206
Effect of ordinary shares issue	94	4,938	—
Effect of ordinary shares deemed to be in issue *(note (i))*	—	118	—
Effect of share options exercised *(note 26(c))*	—	—	4,327
Weighted average number of ordinary shares and ordinary shares deemed to be in issue for the year	72,377	82,229	96,533

Note:

(i) The ordinary shares deemed to be in issue represent the vested share options granted to qualified directors and employees with notional exercise price, which are issuable subject only to the passage of time.

(b) Diluted loss per share

The convertible redeemable preferred shares, convertible loans and share options (note 25) were excluded from the calculation of diluted loss per share because their effect would have been anti-dilutive. The diluted loss per share is the same as the basic loss per share during the Track Record Period.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Electronic and production equipment	Office Equipment	Motor vehicles	Leasehold improvement	Construction in progress	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2019	2,402	686	489	276	—	2,750	6,603
Additions	523	155	568	—	—	5,118	6,364
Disposals	(14)	(89)	—	—	—	(1,532)	(1,635)
At 31 December 2019	2,911	752	1,057	276	—	6,336	11,332
At 1 January 2020	2,911	752	1,057	276	—	6,336	11,332
Additions	5,777	1,515	2,035	879	3,866	6,663	20,735
Addition through acquisition of subsidiaries *(note 18(d))*	3,427	857	98	754	—	—	5,136
Transfer from CIP	—	—	—	3,849	(3,849)	—	—
Disposals	(241)	(97)	(1,647)	—	(10)	(896)	(2,891)
At 31 December 2020	11,874	3,027	1,543	5,758	7	12,103	34,312
At 1 January 2021	11,874	3,027	1,543	5,758	7	12,103	34,312
Additions	9,216	801	3,970	1,312	1,462	12,529	29,290
Addition through acquisition of subsidiaries *(note 18(d))*	713	37	449	602	—	—	1,801
Transfer from CIP	24	—	—	427	(451)	—	—
Disposals	(22)	(91)	(1,722)	—	—	(4,368)	(6,203)
Decrease through the disposal of a subsidiary	(172)	(589)	—	(1,094)	—	—	(1,855)
At 31 December 2021	21,633	3,185	4,240	7,005	1,018	20,264	57,345
Accumulated depreciation:							
At 1 January 2019	(1,173)	(407)	(126)	(192)	—	(1,235)	(3,133)
Charge for the year	(702)	(117)	(171)	(82)	—	(1,903)	(2,975)
Written back on disposals	14	26	—	—	—	1,532	1,572
At 31 December 2019	(1,861)	(498)	(297)	(274)	—	(1,606)	(4,536)
At 1 January 2020	(1,861)	(498)	(297)	(274)	—	(1,606)	(4,536)
Charge for the year	(877)	(436)	(222)	(969)	—	(4,572)	(7,076)
Written back on disposals	150	63	491	—	—	896	1,600
At 31 December 2020	(2,588)	(871)	(28)	(1,243)	—	(5,282)	(10,012)

	Electronic and production equipment	Office Equipment	Motor vehicles	Leasehold improvement	Construction in progress	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	(2,588)	(871)	(28)	(1,243)	—	(5,282)	(10,012)
Charge for the year	(3,260)	(678)	(997)	(2,665)	—	(7,809)	(15,409)
Written back on disposals	2	85	160	—	—	2,698	2,945
Written back through the disposal of a subsidiary	94	322	—	928	—	—	1,344
At 31 December 2021	(5,752)	(1,142)	(865)	(2,980)	—	(10,393)	(21,132)
Net book value:							
At 31 December 2021	15,881	2,043	3,375	4,025	1,018	9,871	36,213
At 31 December 2020	9,286	2,156	1,515	4,515	7	6,821	24,300
At 31 December 2019	1,050	254	760	2	—	4,730	6,796

Additions to right-of-use assets were RMB5,118,000, RMB6,663,000, RMB12,529,000 for each of the financial year ended 31 December 2019, 2020 and 2021, respectively. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	As at December 31		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets	1,903	4,572	7,809
Interest on lease liabilities *(Note 6(a))*	133	282	338

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 18(c) and 23, respectively.

12 INTANGIBLE ASSETS

	Patents	Softwares	Exclusive rights	Licenses	Customer relationships	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2019	416	—	—	—	—	416
Additions *(note (i))*	—	—	3,000	—	—	3,000
Addition through acquisition of subsidiaries *(note 18(d))*	—	—	32,159	—	—	32,159
At 31 December 2019	416	—	35,159	—	—	35,575
At 1 January 2020	416	—	35,159	—	—	35,575
Additions *(note (i))*	2	6,527	33,620	—	—	40,149
Addition through acquisition of subsidiaries *(note 18(d))*	—	638	20,982	37,055	11,440	70,115
At 31 December 2020	418	7,165	89,761	37,055	11,440	145,839
At 1 January 2021	418	7,165	89,761	37,055	11,440	145,839
Additions *(note (i))*	—	1,822	61,100	—	—	62,922
Addition through acquisition of subsidiaries *(note 18(d))*	—	2,714	27,420	—	32,200	62,334
Decrease through the disposal of a subsidiary	—	(102)	—	(1,690)	—	(1,792)
At 31 December 2021	418	11,599	178,281	35,365	43,640	269,303
Accumulated amortisation:						
At 1 January 2019	(7)	—	—	—	—	(7)
Charge for the year	(42)	—	(6,335)	—	—	(6,377)
At 31 December 2019	(49)	—	(6,335)	—	—	(6,384)
At 1 January 2020	(49)	—	(6,335)	—	—	(6,384)
Charge for the year	(43)	(60)	(22,944)	(4,167)	(763)	(27,977)
At 31 December 2020	(92)	(60)	(29,279)	(4,167)	(763)	(34,361)
At 1 January 2021	(92)	(60)	(29,279)	(4,167)	(763)	(34,361)
Charge for the year	(40)	(2,341)	(52,692)	(11,881)	(4,178)	(71,132)
Written back through the disposal of a subsidiary	—	14	—	759	—	773
At 31 December 2021	(132)	(2,387)	(81,971)	(15,289))	(4,941)	(104,720)

	Patents	Softwares	Exclusive rights	Licenses	Customer relationships	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net book value:						
At 31 December 2021	286	9,212	96,310	20,076	38,699	164,583
At 31 December 2020	326	7,105	60,482	32,888	10,677	111,478
At 31 December 2019	367	—	28,824	—	—	29,191

The amortisation charge for the year is included in "Cost of sales", "Selling and marketing expenses" and "Administrative expenses" in the consolidated statement of profit or loss.

Note:

(i) For the year ended 31 December 2019, 2020 and 2021, the Group entered into several agreements with independent third parties, pursuant to which, the Group agreed to acquire exclusive rights for certain medical devices and drugs at consideration of RMB3,000,000, RMB33,620,000 and RMB61,100,000.

Acquisition of subsidiaries

(a) Acquisition of Shanghai Kaili Feng Pharmaceutical Consulting Co., Ltd. ("Kaili Feng")

On 2 August 2019, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Kaili Feng at a total consideration of RMB31,822,000 (note 18(d)) and the transaction was completed in December 2019. Kaili Feng held exclusive rights for distributing some brands medicines in authorized districts. The transaction is accounted for as acquisition of assets, rather than a business combination, given that no sales teams with necessary skills, knowledge or experience to perform the distribution activities were transferred and therefore no substantive process was acquired in the transaction. Further details of the net assets acquired are set out in note 18(d).

(b) Acquisition of Hainan Youyi Technology Co., Ltd. ("Youyi")

On 5 May 2019, the Group entered into a sale and purchase agreement to acquire 60% equity interest in Youyi at a total consideration of RMB3,354,000 (note 18(d)) and the transaction was completed in September 2020. Youyi held Medical Institution Practice Licenses through its subsidiaries, Hainan Zhiyun Internet Hospital Co., Ltd. and Hainan Zhiyun Telemedicine Center Co., Ltd.. The transaction is accounted for as an acquisition of assets, rather than a business

combination, given that no operating teams with necessary skills, knowledge or experience to perform the license operating were transferred and therefore no substantive process was acquired in the transaction. Further details of the net assets acquired are set out in note 18(d).

(c) Acquisition of Guangzhou Renlian Medical Consulting Co., Ltd. ("Renlian")

On 30 September 2020, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Renlian at a total consideration of RMB16,800,000 (note 18(d)) and the transaction was completed in October 2020. Renlian held an exclusive right for distributing a brand medicine in authorized districts. The transaction is accounted for as acquisition of assets, rather than a business combination, given that no sales teams with necessary skills, knowledge or experience to perform the distribution activities were transferred and therefore no substantive process was acquired in the transaction. Further details of the net assets acquired are set out in note 18(d).

(d) Acquisition of Zhejiang Jijia Pharmaceutical Technology Co., Ltd. ("Zhejiang Jijia")

On 28 May 2021, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Zhejiang Jijia at a total consideration of RMB27,420,000 (note 18(d)) and the transaction was completed in June 2021. Zhejiang Jijia held an exclusive right for distributing a brand medicine in authorized districts. The transaction is accounted for as acquisition of assets, rather than a business combination, given that no sales teams with necessary skills, knowledge or experience to perform the distribution activities were transferred and therefore no substantive process was acquired in the transaction. Further details of the net assets acquired are set out in note 18(d).

13 GOODWILL

	Goodwill
	RMB'000
Cost and net carrying amount at 31 December 2019	—
Acquisitions through business combination *(note 28)*	19,017
Cost and net carrying amount at 31 December 2020	19,017
Acquisitions through business combination *(note 28)*	7,002
Decrease through the disposal of a subsidiary	(394)
Cost and net carrying amount at 31 December 2021	25,625

For purpose of impairment testing, goodwill acquired through business combination (as disclosed in note 28 for details) were allocated to respective cash-generating units (CGUs) representing the lowest level within the Group for which the goodwill is monitored for internal management purpose. The significant CGUs include Jiangsu Xinwange Medical Technology Co., Ltd. ("**Jiangsu Xinwange**"), Yinbang Insurance Brokerage Co., Ltd. ("**Yinbang Insurance**"), Shanghai Yitong Culture Media Co., Ltd. ("**Shanghai Yitong**") and Zhejiang Qilian Medicine Co., Ltd. ("**Zhejiang Qilian**"). The goodwill allocated to the significant CGUs are set out as follows:

	At 31 December	
	2020	2021
	RMB'000	*RMB'000*
Jiangsu Xinwange	8,337	8,337
Yinbang Insurance	8,033	8,033
Shanghai Yitong	2,253	2,253
Zhejiang Qilian	—	6,015

Impairment review on the goodwill has been conducted by the management as of 31 December 2020 and 2021. The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates.

Key assumptions of the significant CGUs as at 31 December 2020 and 2021 are set out as follows:

	At 31 December 2020		
	Jiangsu Xinwange	Yinbang Insurance	Shanghai Yitong
Revenue 2021 (% annual growth rate)	200.0%	50.0%	5.0%
Revenue 2022-2025 (% annual growth rate)	6.0%-8.0%	6.0%-20.0%	6.0%-9.0%
Long-term growth rate	3.0%	3.0%	3.0%
Pre-tax discount rate	13.0%	21.0%	23.5%

	At 31 December 2021			
	Jiangsu Xinwange	Yinbang Insurance	Shanghai Yitong	Zhejiang Qilian
Revenue 2022 (% annual growth rate)	5.0%	15.0%	10.0%	4.4%
Revenue 2023-2026 (% annual growth rate)	5.0%	8.0%-14.0%	5.0%-10.0%	3.0%
Long-term growth rate	3.0%	3.0%	3.0%	3.0%
Pre-tax discount rate	12.6%	21.1%	22.5%	12.7%

Details of the headroom calculated based on the recoverable amounts deducting the carrying amount allocated for the significant CGUs as at 31 December 2020 and 2021 are set out as follows:

	At 31 December	
	2020	2021
	RMB'000	*RMB'000*
Jiangsu Xinwange	20,495	51,781
Yinbang Insurance	5,227	11,553
Shanghai Yitong	457	643
Zhejiang Qilian	—	19,833

Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to annual growth rate during the 5-year forecast and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as at 31 December 2020 and 2021:

	At 31 December 2020		
	Jiangsu Xinwange	Yinbang Insurance	Shanghai Yitong
Annual growth rate of revenue during the 5-year forecast	-1.4%	-3.0%	-1.1%
Pre-tax discount rate	1.3%	2.2%	0.9%

	At 31 December 2021			
	Jiangsu Xinwange	Yinbang Insurance	Shanghai Yitong	Zhejiang Qilians
Annual growth rate of revenue during the 5-year forecast	-8.3%	-7.1%	-2.1%	-9.1%
Pre-tax discount rate	3.1%	6.2%	3.0%	1.1%

The directors of the Company determined no impairment on goodwill was required as at 31 December 2020 and 2021 with reference to the recoverable amounts. With regard to the assessment of the VIU of the CGUs, the directors of the Company believe that any reasonably possible change in any of the above key assumptions would not cause the carrying value, including goodwill, of the CGUs to exceed the recoverable amounts.

14 INVENTORIES

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	141,968	59,405	110,924

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	455,187	576,714	1,084,105
Write down of inventories	—	5,353	2,134
	455,187	582,067	1,086,239

The write down of inventories is due to expiry of medicines.

15 TRADE AND BILLS RECEIVABLES

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	148,186	289,294	484,250
Less: Loss allowance	(4,725)	(13,082)	(15,800)
	143,461	276,212	468,450
Bills receivables	15,698	22,333	28,816
	159,159	298,545	497,266

(a) Ageing analyses

As of the end of each reporting period, the ageing analysis of trade and bills receivable, based on the date revenue is recognised and net of loss allowance, of the Group are as follows:

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	145,270	272,813	348,533
4 to 6 months	13,139	9,657	78,413
7 to 12 months	750	16,075	70,320
	159,159	298,545	497,266

All the trade and bills receivables are expected to be recovered within one year. Further details on the Group's credit policy and credit risk are set out in note 27(a).

(b) Impairment of trade receivables

Movement in the loss allowance account in respect of trade receivables during each reporting period is as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	1,934	4,725	13,082
Impairment losses recognised	2,791	8,357	2,718
At the end of the year	4,725	13,082	15,800

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for inventories and services	89,132	99,832	164,679
Deposits	29,429	67,199	139,538
Advances due from third parties *(note (i))*	33,034	46,620	33,601
Purchase rebate with suppliers	19,768	11,129	15,616
Value-added tax recoverable	10,257	15,757	29,949
Amounts due from staffs in relation to share-based payment and others	3,069	10,520	18,641
Amounts due from investors in relation to issuance of convertible redeemable preferred shares and convertible loans *(note (ii))*	36,974	1,957	—
Prepayments for costs incurred in connection with the **[REDACTED]** of the Company's shares *(note (iii))*	—	—	**[REDACTED]**
Prepayments for **[REDACTED]**	—	—	**[REDACTED]**
Others	2,161	7,357	9,019
	223,824	260,371	420,045

Notes:

All of the prepayments, deposits and other receivables are expected to be recovered and recognised as expenses within one year.

(i) As at 31 December 2019, 2020 and 2021, the loss allowance on advances due from third parties was measured based on the 12-month expected credit loss and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Amounts due from third parties were non-trade, unsecured, non-interest bearing and repayable on demand.

(ii) Amounts due from investors in relation to issuance of convertible redeemable preferred shares and convertible loans refer to the unpaid purchase consideration by investors due to commercial consideration and funding availability. As at each Track Record Period end, the related investors have been entitled to related investor rights on the Group but had not paid the relevant consideration. All the unpaid consideration was settled as at 31 July 2021.

(iii) The balance will be transferred to the share premium account within equity upon the **[REDACTED]** of the Company's shares on the Stock Exchange.

The Company

The balance of prepayments, deposits and other receivables as at 31 December 2019 represent the receivable consideration to issuance of convertible redeemable preferred shares.

17 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets measured at fair value through profit or loss represent wealth management products purchased from banks in the PRC with variable interest, and will mature within one year as of the end of each of the reporting period.

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	601,164	914,226	1,225,497
Less: restricted cash for payable insurance premium *(note 20)*	—	—	134,922
Cash and cash equivalent	601,164	914,226	1,090,575

The Company

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	200,163	16,072	53,556

The restricted cash for payable insurance premium represents the cash collected from the insured on behalf of insurance companies but not yet remitted to the insurance companies as of 31 December 2021.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other loans	Financial liabilities at FVTPL	Lease Liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 22)	*(Note 24)*	*(Note 23)*	
At 1 January 2019	63,735	572,316	1,468	637,519
Changes from financing cash flows:				
Proceeds from bank and other loans	205,900	—	—	205,900
Repayment of bank and other loans	(185,735)	—	—	(185,735)
Interest expenses paid	(6,996)	—	—	(6,996)
Proceeds from issuance of convertible redeemable preferred shares and convertible loans	—	832,720	—	832,720
Proceeds from issuance of convertible redeemable preferred shares to settle convertible loans	—	11,580	—	11,580
Payment of repurchase of convertible loans for issuance of convertible redeemable preferred shares	—	(11,247)	—	(11,247)
Payment of repurchase of convertible redeemable preferred shares and convertible loans	—	(6,037)	—	(6,037)
Payment of capital element of lease liabilities	—	—	(2,132)	(2,132)
Payment of interest element of lease liabilities	—	—	(133)	(133)
Total changes from financing cash flows	13,169	827,016	(2,265)	837,920

	Bank and other loans	Financial liabilities at FVTPL	Lease Liabilities	Total
	RMB'000 (Note 22)	*RMB'000 (Note 24)*	*RMB'000 (Note 23)*	*RMB'000*
Exchange adjustments	—	3,483	—	3,483
Other changes:				
Increase in lease liabilities from entering into new leases during the year	—	—	5,118	5,118
Interest expenses	6,996	—	133	7,129
Changes in fair value through profit or loss	—	326,583	—	326,583
Changes of amounts due from investors in relation to issuance of convertible redeemable preferred shares and convertible loans	—	34,915	—	34,915
Changes of payables for repurchase of convertible redeemable preferred shares	—	(43,984)	—	(43,984)
Total other changes	6,996	317,514	5,251	329,761
At 31 December 2019	83,900	1,720,329	4,454	1,808,683
At 1 January 2020	83,900	1,720,329	4,454	1,808,683
Changes from financing cash flows:				
Proceeds from bank and other loans	326,111	—	—	326,111
Repayment of bank and other loans	(208,000)	—	—	(208,000)
Interest expenses paid	(7,245)	—	—	(7,245)
Proceeds from issuance of convertible redeemable preferred shares and convertible loans	—	949,987	—	949,987
Proceeds from issuance of convertible redeemable preferred shares to settle convertible loans	—	66,529	—	66,529
Payment of repurchase of convertible loans for issuance of convertible redeemable preferred shares	—	(75,799)	—	(75,799)
Payment of repurchase of convertible redeemable preferred shares and convertible loans	—	(35,867)	—	(35,867)
Payment of capital element of lease liabilities	—	—	(4,562)	(4,562)
Payment of interest element of lease liabilities	—	—	(282)	(282)
Total changes from financing cash flows	110,866	904,850	(4,844)	1,010,872

	Bank and other loans	Financial liabilities at FVTPL	Lease Liabilities	Total
	RMB'000 (Note 22)	*RMB'000 (Note 24)*	*RMB'000 (Note 23)*	*RMB'000*
Exchange adjustments	—	(151,240)	—	(151,240)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	—	—	6,663	6,663
Addition through acquisition of subsidiaries *(note 18(d))*	1,500	—	—	1,500
Interest expenses	7,245	—	282	7,527
Changes in fair value through profit or loss	—	2,003,371	—	2,003,371
Changes of amounts due from investors in relation to issuance of convertible redeemable preferred shares and convertible loans	—	(35,017)	—	(35,017)
Changes of payables for repurchase of convertible redeemable preferred shares	—	35,867	—	35,867
Total other changes	8,745	2,004,221	6,945	2,019,911
At 31 December 2020	203,511	4,478,160	6,555	4,688,226

	Bank and other loans	Financial liabilities at FVTPL	Lease Liabilities	Other payables and accrued expenses	Total
	RMB'000 (Note 22)	*RMB'000 (Note 24)*	*RMB'000 (Note 23)*	*RMB'000 (Note 20)*	*RMB'000*
At 1 January 2021	203,511	4,478,160	6,555	—	4,688,226
Changes from financing cash flows:					
Proceeds from bank and other loans	370,256	—	—	—	370,256
Advances from a non-controlling shareholder of the Group	—	—	—	7,300	7,300
Repayment of bank and other loans	(476,599)	—	—	—	(476,599)
Repayment to a non-controlling shareholder of the Group	—	—	—	(6,300)	(6,300)
Interest expenses paid	(9,269)	—	—	—	(9,269)
Proceeds from issuance of convertible redeemable preferred shares	—	1,183,526	—	—	1,183,526
Proceeds from issuance of convertible redeemable preferred shares to settle convertible loans	—	213,930	—	—	213,930
Payment of repurchase of convertible loan for issuance of convertible redeemable preferred shares	—	(214,354)	—	—	(214,354)

	Bank and other loans	Financial liabilities at FVTPL	Lease Liabilities	Other payables and accrued expenses	Total
	RMB'000 (Note 22)	*RMB'000 (Note 24)*	*RMB'000 (Note 23)*	*RMB'000 (Note 20)*	*RMB'000*
Payment of repurchase of convertible redeemable preferred shares and convertible loans	—	(8,117)	—	—	(8,117)
Payment of capital element of lease liabilities	—	—	(8,694)	—	(8,694)
Payment of interest element of lease liabilities	—	—	(338)	—	(338)
Total changes from financing cash flows	(115,612)	1,174,985	(9,032)	1,000	1,051,341
Exchange adjustments	—	(149,231)	—	—	(149,231)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	—	—	12,529	—	12,529
Interest expenses	9,269	—	338	—	9,607
Changes in fair value through profit or loss	—	3,397,634	—	—	3,397,634
Changes of amounts due from investors in relation to issuance of convertible redeemable preferred shares and convertible loans	—	(1,957)	—	—	(1,957)
Changes of payables for repurchase of convertible redeemable preferred shares	—	8,117	—	—	8,117
Addition through acquisition of subsidiaries *(note 18(d))*	17,215	—	—	—	17,215
Disposal	—	—	(1,467)	—	(1,467)
Total other changes	26,484	3,403,794	11,400	—	3,441,678
At 31 December 2021	114,383	8,907,708	8,923	1,000	9,032,014

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Lease rentals paid in financing cash flows	2,265	4,844	9,032

(d) Net cash outflow arising from the acquisition of subsidiaries

The recognised amounts of assets acquired and liabilities assumed at the dates of acquisition of the subsidiaries that constitute business combinations and acquisition of assets comprise the following:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Intangible assets *(note 12)*	32,159	70,115	62,334
Property, plant and equipment *(note 11)*	—	5,136	1,801
Cash and cash equivalents	94	10,795	5,724
Trade receivables	—	16,794	47,638
Inventories	—	6,972	37,707
Prepayments and other receivables	—	46,661	26,848
Other current assets	—	1,441	—
Trade payables	—	(10,331)	(50,071)
Other payables and accrued expenses	(431)	(18,710)	(30,177)
Contract liabilities	—	(4,418)	(1,000)
Bank and other loans	—	(1,500)	(17,215)
Deferred tax liabilities	—	(11,888)	(8,050)
Other non-current liabilities	—	(10,000)	—
Net identifiable assets and liabilities	31,822	101,067	75,539
Less: Non-controlling interests	—	15,821	21,775
Add: Goodwill arising from the acquisition *(note 13)*	—	19,017	7,002
Total consideration	31,822	104,263	60,766
Less: Consideration payable	9,462	9,151	8,800
Consideration prepayment	—	1,670	—
Fair value of share options issued by the Company	—	—	2,546
Total consideration paid in cash	22,360	93,442	49,420
Less: Cash of subsidiary acquired	94	10,795	5,724
	22,266	82,647	43,696

19 TRADE PAYABLES

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Payables for inventories and services	52,507	76,032	67,763

All of the trade payables are expected to be settled within one year or are repayable on demand.

The aging analyses of trade payables, based on the transaction date, are as follows:

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	52,068	76,032	67,763
More than 1 year	439	—	—
	52,507	76,032	67,763

20 OTHER PAYABLES AND ACCRUED EXPENSES

The Group

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Salary and welfare payables	11,495	56,376	86,041
Payables for flexible staffs	20,237	78,684	124,203
Tax payables	275	1,521	9,928
Payables for acquiring of subsidiaries and exclusive rights	9,462	18,137	13,420
Refund liabilities	8,272	14,646	18,424
Payables for **[REDACTED]**	—	—	**[REDACTED]**
Advance from a non-controlling shareholder of the Group	—	—	1,000
Payables for repurchase of convertible redeemable shares	43,984	8,117	—
Payables for issuance cost of financial liabilities at FVTPL	43,523	—	13,477
Payables for Insurance premium *(note 18(a))*	—	—	134,922
Deposits and others	12,789	7,454	29,807
	150,037	184,935	456,555

The Company

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Payables for subsidiaries paid on behalf of the Company for repurchase of convertible redeemable preferred shares	—	82,331	—
Payables for repurchase of convertible redeemable preferred shares	43,984	8,117	—
Payables for issuance cost of financial liabilities at FVTPL	31,922	—	13,477
Payables for **[REDACTED]**	—	—	**[REDACTED]**
others	2,209	2,066	—
	78,115	92,514	38,810

All of the other payables and accrued expenses are expected to be settled or recognised as income within one year or are repayable on demand.

Insurance premium payables are insurance premiums collected from the insured on behalf of insurance companies but not yet remitted to the insurance companies as of 31 December 2021. Of this amount, the Group had paid RMB59,836,558 to the insurance companies as of 31 January 2022.

21 CONTRACT LIABILITIES

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Sales of pharmaceuticals, consumables, medical devices and miscellaneous	10,727	28,907	16,675
Providing services	11,970	91,830	76,918
	22,697	120,737	93,593

Contract liabilities primarily arises from relates to the considerations received from customers before the Group satisfying performance obligations. It would be recognized as revenue upon the rendering of goods and services.

22 BANK AND OTHER LOANS

Analysis of the carrying value of bank and other loans is as follows:

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Bank loans			
— Guaranteed by a subsidiary of the Group and related parties *(note (i))*	49,900	195,511	—
— Guaranteed by a subsidiary of the Group *(note (ii))*	—	—	69,963
— Guaranteed by related parties *(note (iii))*	19,000	—	10,420
— Guaranteed by third parties and related parties *(note (iv))*	15,000	3,000	—
— Guaranteed by third parties and a subsidiary of the Group and related parties *(note (v))*	—	5,000	—
— Guaranteed by third parties *(note (vi))*	—	—	25,000
	83,900	203,511	105,383
Other loans from third parties:			
— Secured by the Group's trade receivables	—	—	9,000
Total	83,900	203,511	114,383

Notes:

(i) These bank loans were guaranteed by 91health Shanghai Limited or Hangzhou Kangsheng Health Management Consulting Co., Ltd and jointly guaranteed by Mr. Kuang Ming and his spouse.

(ii) These bank loans were guaranteed by 91health Shanghai Limited or 91health Hangzhou Limited. These guarantees will be released upon the repayment of the related bank loans.

(iii) As at 31 December 2019, these bank loans were guaranteed by Mr. Kuang Ming and his spouse. As at 31 December 2021, these bank loans were guaranteed by the ultimate beneficial owners of the Group's non-controlling shareholder, which will be released in March and August 2022 respectively in accordance with related agreement. The directors do not expect to release the guarantees ahead of the agreed schedule.

(iv) These bank loans were guaranteed by third party guarantee companies and jointly guaranteed by Mr. Kuang Ming and his spouse.

(v) These bank loans were jointly guaranteed by third party guarantee companies and Hangzhou Kangsheng Health Management Consulting Co., Ltd. or 91health Shanghai Limited and jointly guaranteed by Mr. Kuang Ming and his spouse.

(vi) These bank loans were guaranteed by third party guarantee companies. These guarantees will be released upon the repayment of the related bank loans.

As at 31 December 2019, 2020 and 2021, the bank and other loans were repayable within 1 year or on demand. The guarantees provided by Mr. Kuang Ming and his spouse during the Track Record Period have been released as at 31 October 2021.

23 LEASE LIABILITIES

As at 31 December 2019, 2020 and 2021, the lease liabilities were repayable as follows:

	At 31 December					
	2019		2020		2021	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,750	2,880	4,373	4,569	4,123	4,447
After 1 year but within 2 years	1,122	1,159	1,933	2,113	2,674	2,842
After 2 years but within 5 years	582	653	249	279	2,126	2,184
	1,704	1,812	2,182	2,392	4,800	5,026
	4,454	4,692	6,555	6,961	8,923	9,473
Less: total future interest expenses		(238)		(406)		(550)
Present value of lease liabilities		4,454		6,555		8,923

24 FINANCIAL LIABILITIES AT FVTPL

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares	1,548,365	4,329,603	8,907,708
Convertible loans	171,964	148,557	—
Total	1,720,329	4,478,160	8,907,708

(a) Convertible redeemable preferred shares

Since the date of incorporation, the Group has completed several rounds of financing by issuing Preferred Shares to investors.

The details of the issuance are set out in the table below:

Series of Preferred Shares issued	Share purchase agreement date	Issuance consideration		Number of shares subscribed	Issue price per share
		USD'000	*RMB'000*		
Series A-1 Preferred Shares *(note (i))*	25 January 2016	2	14	20,000,000	0.00 USD
Series A-2 Preferred Shares *(note (ii))*	25 January 2016	8,051	55,850	41,141,163	1.36 RMB
Series B Preferred Shares *(note (ii))*	7 July 2016	10,586	73,435	28,357,233	0.37 USD
Series B-1 Preferred Shares	19 April 2017	10,000	65,342	19,520,510	0.51 USD
Series C-1 Preferred Shares *(note (ii))*	21 September 2017 and 8 January 2018	14,000	96,085	19,312,290	0.72 USD
Series C-2 Preferred Shares	10 December 2018	49,520	345,460	65,127,663	5.30 RMB

Series of Preferred Shares issued	Share purchase agreement date	Issuance consideration		Number of shares subscribed	Issue price per share
		USD'000	*RMB'000*		
Series C-3 Preferred Shares *(note (ii))*	9 August 2019	33,267	232,076	33,808,554	6.86 RMB
Series D Preferred Shares	24 December 2019 and 10 February 2020	94,024	616,666	76,764,255	1.22 USD
Series D+ Preferred Shares	15 July 2020	44,175	288,237	21,993,621	2.01 USD
Series E Preferred Shares	11 November 2020	65,500	427,381	24,070,568	2.72 USD
Series E+ Preferred Shares first tranche	21 May 2021	100,000	646,010	26,009,076	3.84 USD
Series E+ Preferred Shares second tranche	7 July 2021	84,000	535,559	21,847,625	3.84 USD
		513,125	3,382,115	397,952,558	

Notes:

(i) Before the Company was incorporated, Kangsheng entered into an onshore shareholders agreement with certain investors, pursuant to which, the investors agreed to invest RMB14,000,000 to acquire 20% of the then equity of Kangsheng and can acquire Series A Preferred Shares of the Group's offshore entity for free when it is incorporated in the future. In January 2016, the Company issued Series A-1 Preferred Shares to the investors at USD 0.0001 per share. Then the onshore shareholders agreement was terminated.

(ii) In 2019, the Group repurchased 1,473,274 Series A-2 Preferred Shares, 6,814,917 Series B Preferred Shares of the Company and repaid the convertible loan which was convertible into 1,138,046 Series C-1 Preferred Shares and re-designated these Preferred Shares and convertible loan to 9,426,237 Series C-3 Preferred Shares of the Company.

The Preferred Shares are redeemable by the investors upon specified contingent events including but not limited to failure to complete the qualified **[REDACTED]** before 31 December 2022. The holders of the Preferred Shares are entitled to discretionary dividends prior and in preference to any declaration or payment of any dividend on the ordinary shares.

Upon the closing of a qualified **[REDACTED]** as defined in the related agreements, the Preferred Shares will automatically be converted into ordinary shares, or at the option of the holder, be converted at any time after the original issue date into fully paid and non-assessable ordinary shares at a conversion ratio based on the then effective conversion price without paying any additional consideration. Upon such conversion, the redemption rights shall automatically cease.

The Company accounts for the Preferred Shares issued to investors as financial liabilities at fair value through profit or loss.

The movements of the Preferred Shares issued to investors are set out below:

	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series B-1 Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series C-3 Preferred Shares	Series D Preferred Shares	Series D+ Preferred Shares	Series E Preferred Shares	Series E+ Preferred Shares	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	37,564	84,416	62,348	–	30,237	215,266	–	–	–	–	–	429,831
Issuance of Preferred Shares	–	–	–	–	–	130,000	289,694	447,941	–	–	–	867,635
Conversion from Convertible loan	–	–	11,580	–	–	–	–	–	–	–	–	11,580
Repurchase *(note (24)(a)(ii))*	–	(8,117)	(35,867)	–	–	–	–	–	–	–	–	(43,984)
Changes in fair value through profit or loss	45,639	87,654	65,809	–	2,356	58,074	20,288	–	–	–	–	279,820
Exchange realignment	761	459	1,564	–	515	67	117	–	–	–	–	3,483
At 31 December 2019	83,964	164,412	105,434	–	33,108	403,407	310,099	447,941	–	–	–	1,548,365
Issuance of Preferred Shares	–	–	–	–	–	–	–	195,960	291,629	427,381	–	914,970
Conversion from Convertible loan	–	–	–	34,362	32,167	–	–	–	–	–	–	66,529
Changes in fair value through profit or loss	137,171	281,396	151,274	111,280	96,586	427,491	261,493	433,775	50,513	–	–	1,950,979
Exchange realignment	(9,111)	(20,042)	(11,877)	(3,720)	(5,370)	(34,793)	(23,848)	(40,790)	(1,689)	–	–	(151,240)
At 31 December 2020	212,024	425,766	244,831	141,922	156,491	796,105	547,744	1,036,886	340,453	427,381	–	4,329,603
Issuance of Preferred Shares	–	–	–	–	–	–	–	–	–	–	1,181,569	1,181,569
Conversion from Convertible loan	–	–	–	132,496	81,434	–	–	–	–	–	–	213,930
Changes in fair value through profit or loss	205,236	406,728	219,181	148,841	163,328	638,540	414,051	694,405	181,310	172,911	87,306	3,331,837
Exchange realignment	(7,333)	(13,022)	(8,180)	(6,270)	(6,179)	(27,158)	(18,850)	(31,338)	(9,629)	(11,810)	(9,462)	(149,231)
At 31 December 2021	409,927	819,472	455,832	416,989	395,074	1,407,487	942,945	1,699,953	512,134	588,482	1,259,413	8,907,708

(b) Convertible loans

During the Track Record Period, the Group issued convertible loans to certain B round financing investor, B-1 round financing investor and C-1 round financing investors.

The convertible loans have an original maturity of 3 years from the respective issue dates ("**Maturity Date**"). Upon the completion of the Overseas Direct Investments registration ("**ODI registration**") within the period from the issue date of the loans to the Maturity Date, the outstanding principal amount of the convertible loans will be converted into Series B, Series B-1 and Series C-1 Preferred Shares respectively.

If the investor fails to complete the ODI registration within the period specified in convertible loans agreements, the investors can choose to convert the outstanding principal amount of the convertible loans to the equity of Kangsheng and register as preferred shareholders of the Company.

The convertible loans are interest-free during the period from the issue date of the loans to the due date.

In respect of which conversion rights have not been exercised, the convertible loans holders can exercise preferred shareholders' redemption rights under the provisions of the Memorandum and Articles of Association.

The movement of the convertible loans is set out as below:

	Convertible loans
	RMB'000
At 1 January 2019	142,485
Loans converted to Preferred Shares	(11,247)
Repurchase *(note (24)(a)(ii))*	(6,037)
Fair value changes	46,763
At 31 December 2019	171,964
At 1 January 2020	171,964
Loans converted to Preferred Shares	(75,799)
Fair value changes	52,392
At 31 December 2020	148,557
At 1 January 2021	148,557
Loans converted to Preferred Shares	(214,354)
Fair value changes	65,797
At 31 December 2021	—

Valuation

The Backsolve method utilises the options-pricing method to allocate the equity value of the Company, implied by recent investments in Preferred Shares and convertible loans, to the convertible loans holders, preferred shareholders and ordinary shareholders. When there is a recent transaction that is reflective of the equity value of a Company, the issuance price in such transaction would be used in the valuation of Preferred Shares and convertible loans.

The Series D and Series E preferred shares issued by the Company to independent third party investors on 24 December 2019 and 11 November 2020, respective are considered to be reflective of the equity value of the Group as of 31 December 2019 and 2020, so the Group applied the Backsolve method to determine the underlying equity value of the Company and used the option-pricing method and equity allocation model to determine the fair value of the Preferred Shares and convertible loans as of 31 December 2019 and 2020.

The key parameters are assumed to be as follows:

	Risk-free rates *(note (i))*	
Valuation Dates	**Liquidation**	**Redemption**
31 December 2019	1.69%	1.69%
31 December 2020	0.12%	0.12%

	Volatilities *(note (ii))*	
Valuation Dates	**Liquidation**	**Redemption**
31 December 2019	43.48%	43.48%
31 December 2020	45.83%	45.83%

Notes:

(i) The risk frees rate are with reference to the yield of US Treasury Strips at the Valuation Dates.

(ii) The volatility parameters used are with reference to the historical volatility of comparable companies as at the Valuation Dates.

As there is no recent transaction that is reflective of the equity value of the Group as of 31 December 2021, the Company applied the discounted cash flow method ("**DCF method**") to determine the underlying equity value of the Company and used the option-pricing method and equity allocation model to determine the fair value of the Preferred Shares and convertible loans as of 31 December 2021.

The DCF method involves applying appropriate weighted average cost of capital ("**WACC**"), to discount the future cash flow forecast to present value. The WACC was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systematic risk factors. The Group also applied a discount for lack of marketability ("**DLOM**"), which was quantified by Black-Scholes Option Pricing Model and the Finnerty Model. Under this option-pricing method, which assumed that the put option is struck at the spot price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM.

Key valuation assumptions are set as below:

	At 31 December
	2021
WACC	17.00%
DLOM	6.00%

25 EQUITY-SETTLED SHARE-BASED PAYMENT

The Group granted share-based awards to qualified directors and employees pursuant to the 2015 Global Share Plan ("**the Plan**"), which was adopted in August 2015. The qualified participants of the Plan are required to satisfy certain vesting service for the entitlement. The share options granted are generally vested on the grant date or over a one-year period on condition that employees remain in service without any performance requirements or four-year period on condition that employees remain in service without any performance requirements, under which an employee is entitled to vest in 25% of his option grants annually thereafter of completed service. In accordance with the Plan agreements, the holders of vested options are entitled to purchase the Company's shares at fixed prices predetermined at grant date.

Options granted typically expire in 10 years from the respective grant dates.

In July 2021, the Company appointed Prime Forest Assets Limited ("**Prime Forest**") as the holding company to hold the ordinary shares of the Company on trust for "the Plan", according to which the options previously granted to relevant employees and directors that are not cancelled and forfeited as of 6 August 2021 were replaced by Restricted Share Units ("**RSU**"). There were no modification of terms or conditions when converted to RSUs which had increased the fair value of the equity instruments granted and such arrangement was accounted for as the continuance of the original share options. Accordingly, there were no financial impact as a result of such replacement.

The Group recognise share-based payments expenses in its consolidated statements of profit or loss based on awards ultimately expected to vest.

(i) The number and weighted average exercise prices of share options/RSUs ("**equity instruments**") are as follows:

	Year ended 31 December 2019	
	Weighted average exercise price	**Number of equity instruments**
	RMB	*'000*
Outstanding at the beginning of the year	0.26	23,191
Exercised during the year	—	—
Forfeited during the year	0.27	(277)
Granted during the year	0.70	6,290
Outstanding at the end of the year	0.36	29,204
Exercisable at the end of the year	0.21	16,699

	Year ended 31 December 2020	
	Weighted average exercise price	**Number of equity instruments**
	RMB	*'000*
Outstanding at the beginning of the year	0.36	29,204
Exercised during the year	—	—
Forfeited during the year	0.76	(1,698)
Granted during the year	1.61	31,306
Outstanding at the end of the year	1.00	58,812
Exercisable at the end of the year	0.34	26,320

	Year ended 31 December 2021	
	Weighted average exercise price	Number of equity instruments
	RMB	*'000*
Outstanding at the beginning of the year	1.00	58,812
Exercised during the year	0.53	(10,925)
Forfeited during the year	1.95	(1,807)
Granted during the year	2.69	24,288
Outstanding at the end of the year	1.63	70,368
Exercisable at the end of the year	0.82	30,833

The equity instruments outstanding as at 31 December 2019, 2020, and 2021 had weighted average remaining contractual life of 7.27 years, 7.95 years and 7.63 years, respectively.

The assumptions of the binominal model on the dates of grant are as following:

	Year ended 31 December 2019
Fair value of equity instruments and assumptions	
Fair value at measurement date	USD0.27~USD0.50
Expected volatility (expressed as weighted average volatility used in the modelling under equity allocation model)	48.32%~49.92%
Exercise multiple	2.20x~2.80x
Expected dividends	0%
Risk-free interest rate	2.1%~2.5%

	Year ended 31 December 2020
Fair value of equity instruments and assumptions	
Fair value at measurement date	USD0.67~USD1.59
Expected volatility (expressed as weighted average volatility used in the modelling under equity allocation model)	47.71%~48.75%
Exercise multiple	2.20x~2.80x
Expected dividends	0%
Risk-free interest rate	0.8%~1.1%

	Year ended 31 December
	2021
Fair value of equity instruments and assumptions	
Fair value at measurement date	USD0.90~USD3.08
Expected volatility (expressed as weighted average volatility used in the modelling under equity allocation model)	48.28%~48.66%
Exercise multiple	2.20x~2.80x
Expected dividends	0%
Risk-free interest rate	1.7%~2.0%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

During the Track Record Period, the Group issued ordinary shares to its CEO with subscription price ranging from USD0.0001 to USD0.15, which was recognized as share-based payment expenses. The number of ordinary shares and the respective weighted average grant date fair value were as follows:

	Weighted average grant date fair value	Number of shares
	USD	*'000*
Granted for the year ended 31 December 2019	0.58	4,890
Granted for the year ended 31 December 2020	1.16	14,908

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity during the Track Record Period are set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

The Company

	Share capital	Capital reserve	Share-based payment reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019	42	1,654	9,447	(2,618)	(88,651)	(80,126)
Changes in equity for 2019:						
Total comprehensive income for the year	—	—	—	(3,856)	(298,710)	(302,566)
Issuance of ordinary shares *(note 26(c))*	4	18,750	(18,754)	—	—	—
Equity-settled share-based payment *(note 25)*	—	—	39,023	—	—	39,023
Balance at 31 December 2019	46	20,404	29,716	(6,474)	(387,361)	(343,669)

	Share capital	Treasury share reserve	Capital reserve	Share-based payments reserve	Other reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2020	46	—	20,404	29,716	—	(6,474)	(387,361)	(343,669)
Changes in equity for 2020:								
Total comprehensive income for the year	—	—	—	—	—	86,393	(1,888,428)	(1,802,035)
Issuance of ordinary shares *(note 26(c))*	10	—	126,484	(119,643)	—	—	—	6,851
Equity-settled share-based payment *(note 25)*	—	—	—	207,231	—	—	—	207,231
Balance at 31 December 2020	56	—	146,888	117,304	—	79,919	(2,275,789)	(1,931,622)
Balance at 1 January 2021	56	—	146,888	117,304	—	79,919	(2,275,789)	(1,931,622)
Changes in equity for 2021:								
Issuance of ordinary shares *(note 26(c)(i))*	47	—	—	—	—	—	—	47
Treasury shares *(note 26(d)(i))*	—	(47)	—	—	—	—	—	(47)
Total comprehensive income for the year	—	—	—	—	—	93,266	(3,689,248)	(3,595,982)
Equity-settled share-based payment *(note 25)*	—	—	—	222,619	—	—	—	222,619
Exercise of the share options *(note 25)*	7	—	55,094	(49,316)	—	—	—	5,785
Issued share options as subsidiary acquisition consideration *(note 28)*	—	—	—	—	2,546	—	—	2,546
Balance at 31 December 2021	110	(47)	201,982	290,607	2,546	173,185	(5,965,037)	(5,296,654)

(b) Dividends

The directors of the Company did not propose any declaration of dividend during the Track Record Period.

(c) Share capital

Authorized

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 August 2015.

As of 31 December 2021, the authorized share capital of the Company was USD100,000 divided into (i) 602,047,442 ordinary shares of a nominal or par value of USD0.0001 each, and (ii) 397,952,558 convertible redeemable preferred shares of a nominal or par value of USD0.0001 each, 59,667,889 of which are designated series A Preferred Shares, 41,062,826 of which are designated series B Preferred Shares, 126,536,698 of which are designated series C Preferred Shares, 98,757,876 of which are designated series D Preferred Shares, and 71,927,269 of which are designated series E Preferred Shares.

(i) Issued share capital

	31 December 2019		31 December 2020		31 December 2021	
	Number of shares	Share capital	Number of shares	Share capital	Number of shares	Share capital
		RMB'000		*RMB'000*		*RMB'000*
Ordinary shares, issued and fully paid:						
At 1 January	66,033,453	42	70,923,218	46	85,830,926	56
Issuance of ordinary shares *(note 25)*	4,889,765	4	14,907,708	10	—	—
Issuance of ordinary shares to exercise share options *(note 25)*	—	—	—	—	10,925,100	7
Issuance of ordinary shares to Prime Forest *(note 26(d)(i))*	—	—	—	—	73,329,635	47
At 31 December.	70,923,218	46	85,830,926	56	170,085,661	110

(d) Nature and purpose of reserves

(i) Treasury share reserve

The treasury share reserve represents the shares held by employee share trust controlled by the Company for 2015 Global Share Plan. As disclosed in note 1, the directors of the Company consider that it is appropriate to regard Prime Forest as a branch of the Company and therefore the 73,329,635 ordinary shares of the Company issued to Prime Forest were presented as treasury shares.

(ii) Capital reserve

The capital reserve comprises the capital contribution from the equity holders of the Group's subsidiaries and the excess of the total proceeds received from the Company share issuance over the total par value of shares issued.

(iii) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of share options granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(r)(ii).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Company and certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in note 2(v).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables.

The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions with good credit standing, for which the Group considers to have low credit risk. Deposits, advances due from third parties, purchase rebate with suppliers, amounts due from staffs in relation to share-based payment and others, and amounts due from investors in relation to issuance of convertible redeemable preferred shares and convertible loans have been classified as other receivables. For the purposes of internal credit risk management, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12-month ECLs as there is no significant increase in credit risk since initial recognition. The Group determines the expected credit losses for these assets by assessment of probability of default, loss given default and exposure at default. As at end of Track Record Period, in view of the nature of these balances and historical settlement record, the Group considers that the provision of ECL allowance for these assets was not significant.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The receivables from the five largest debtors at 31 December 2019, 31 December 2020 and 31 December 2021 represented 42%, 41% and 35% of the total trade receivables respectively, while 14%, 12% and 11% of the total trade receivables were due from the largest single debtor respectively.

Individual credit evaluations are performed on all customers who have high credit risk such as litigation issues. These evaluations focus on the customers' past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The Group will normally grant credit term of 0-180 days to its customers.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	At 31 December 2019				
	Gross carrying amount	**Provision on individual basis**	**ECL rates**	**ECLs**	**Loss allowance**
	RMB'000	*RMB'000*		*RMB'000*	*RMB'000*
Current (not past due)	87,379	—	0.8%	(717)	(717)
0–3 months past due	48,358	—	4.0%	(1,952)	(1,952)
4–6 months past due	10,244	—	5.9%	(601)	(601)
7–9 months past due	799	—	6.1%	(49)	(49)
10–12 months past due	—	—	—	—	—
More than 1 year past due	1,406	(1,406)	—	—	(1,406)
	148,186	(1,406)		(3,319)	(4,725)

	At 31 December 2020				
	Gross carrying amount	Provision on individual basis	ECL rates	ECLs	Loss allowance
	RMB'000	*RMB'000*		*RMB'000*	*RMB'000*
Current (not past due)	202,269	(840)	0.7%	(1,440)	(2,280)
0–3 months past due	73,472	(5,015)	5.2%	(3,528)	(8,543)
4–6 months past due	8,868	—	3.4%	(304)	(304)
7–9 months past due	2,762	—	12.3%	(339)	(339)
10–12 months past due	517	—	40.6%	(210)	(210)
More than 1 year past due	1,406	(1,406)	—	—	(1,406)
	289,294	(7,261)		(5,821)	(13,082)

	At 31 December 2021				
	Gross carrying amount	Provision on individual basis	ECL rates	ECLs	Loss allowance
	RMB'000	*RMB'000*		*RMB'000*	*RMB'000*
Current (not past due)	361,399	(11)	0.7%	(2,683)	(2,694)
0–3 months past due	68,998	(622)	2.3%	(1,558)	(2,180)
4–6 months past due	30,162	—	5.9%	(1,775)	(1,775)
7–9 months past due	11,021	—	18.1%	(1,996)	(1,996)
10–12 months past due	9,366	—	41.1%	(3,851)	(3,851)
More than 1 year past due	3,304	(3,304)	—	—	(3,304)
	484,250	(3,937)		(11,863)	(15,800)

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	86,161	—	—	—	86,161	83,900
Trade payables	52,507	—	—	—	52,507	52,507
Other payables and accrued expenses	150,037	—	—	—	150,037	150,037
Financial liabilities at FVTPL	1,720,329	—	—	—	1,720,329	1,720,329
Lease liabilities *(note 23)*	2,880	1,159	653	—	4,692	4,454
	2,011,914	1,159	653	—	2,013,726	2,011,227

	As at 31 December 2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	207,808	—	—	—	207,808	203,511
Trade payables	76,032	—	—	—	76,032	76,032
Other payables and accrued expenses	184,935	—	—	—	184,935	184,935
Financial liabilities at FVTPL	4,478,160	—	—	—	4,478,160	4,478,160
Lease liabilities *(note 23)*	4,569	2,113	279	—	6,961	6,555
	4,951,504	2,113	279	—	4,953,896	4,949,193

	As at 31 December 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	115,337	—	—	—	115,337	114,383
Trade payables	67,763	—	—	—	67,763	67,763
Other payables and accrued expenses	456,555	—	—	—	456,555	456,555
Financial liabilities at FVTPL	8,907,708	—	—	—	8,907,708	8,907,708
Lease liabilities *(note 23)*	4,447	2,842	2,184	—	9,473	8,923
	9,551,810	2,842	2,184	—	9,556,836	9,555,332

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, wealth management products issued by banks, bank and other loans and lease liabilities. Instruments bearing interest at variable rates and fixed rates expose the Group to cashflow interest rate risk and fair value interest rate risk respectively. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition. The Group's interest rate risk profile as monitored by management is set out below.

The following table details the interest rate profile of the Group's financial assets and liabilities as of the end of each of the reporting period.

(i) Interest rate risk profile

	31 December 2019		31 December 2020		31 December 2021	
	Weighted average interest rate		Weighted average interest rate		Weighted average interest rate	
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Fix rate borrowings:						
Lease liabilities	4.75%	(4,454)	4.75%	(6,555)	4.75%	(8,923)
Bank and other loans	6.14%	(83,900)	4.21%	(203,511)	4.24%	(114,383)
		(88,354)		(210,066)		(123,306)
Variable rate instruments:						
Cash at bank		601,164		914,226		1,090,575
Restricted cash		—		—		134,922
Wealth management products		—		—		28,000
		601,164		914,226		1,253,497
Total borrowings		512,810		704,160		1,130,191

(ii) Sensitivity analysis

At 31 December 2019, 2020 and 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax and accumulated losses by approximately RMB4,509,000 and RMB6,857,000 and RMB9,401,000.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and accumulated losses) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has engaged AVISTA Group Limited, an external valuer to perform valuations for the financial instruments, including convertible redeemable preferred shares and convertible loans issued to investors. A valuation report with analysis of changes in fair value measurement is prepared by the team at each annual reporting date, and is reviewed and approved by the management.

	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Financial liabilities:				
Convertible redeemable preferred shares *(Note 24)*	1,548,365	—	—	1,548,365
Convertible loans *(Note 24)*	171,964	—	—	171,964

	Fair value at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Financial liabilities:				
Convertible redeemable preferred shares *(Note 24)*	4,329,603	—	—	4,329,603
Convertible loans *(Note 24)*	148,557	—	—	148,557

	Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Financial assets:				
Wealth management products	28,000	—	—	28,000
Financial liabilities:				
Convertible redeemable preferred shares *(Note 24)*	8,907,708	—	—	8,907,708

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

(aa) Financial assets at FVTPL

The Group has a team headed by the finance manager performing valuation for wealth management products which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the head of finance department. A valuation analysis of changes in fair value measurement is prepared by the team periodically, and is reviewed and approved by the head of finance department.

Below is a summary of significant unobservable inputs to the valuation of these wealth management products together with a quantitative sensitivity analysis at the end of the Track Record Period:

31 December 2021

	Valuation techniques	Significant unobservable inputs
Wealth management products. .	Discounted cash flow method	Interest return rate

Due to the short period and low expected return rate ranging from 1.00% to 3.50% per annum, the Group considered the fair value of wealth management products approximates to the cost. The fair value measurement is negatively correlated to the interest return rate. The management of the Group considers the Group's exposure of wealth management products to interest return rate is not significant due to short maturity period. Therefore, no sensitivity analysis was presented.

(bb) Financial liabilities at FVTPL

The Group's convertible redeemable preferred shares and convertible loans are categorized into Level 3 hierarchy.

Please refer to note 24 for the valuation method and key assumptions adopted in the determination of the fair values of convertible redeemable preferred shares and convertible loans. The quantitative sensitivity analysis are set out below. It is estimated that with all other variables held constant, an increase/decrease in the respective parameter would have impacts on the Group's total comprehensive income for the period.

Quantitative sensitivity analysis on the fair value changes of the convertible redeemable preferred shares and convertible loans estimated applying Backsolve method and option-pricing method as at 31 December 2019 and 2020 are set out below:

	Group's total comprehensive income	
	At 31 December	
	2019	2020
	RMB'000	*RMB'000*
1% increase in risk-free rates	(1,643)	594
1% decrease in risk-free rates *(note (i))*	1,751	—
10% increase in volatilities	13,708	18,641
10% decrease in volatilities.	(18,227)	(13,664)

Note:

The quantitative sensitivity analysis for the scenario 1% decrease in risk-free rate was not performed as at 31 December 2020 because the risk-free rate was below 1% at of that date (0.12% as disclosed in note 24).

Quantitative sensitivity analysis on the fair value changes of the convertible redeemable preferred shares estimated applying DCF model as at 31 December 2021 are set out below:

	Group's total comprehensive income
	At 31 December 2021
	RMB'000
1% increase in WACC	979,454
1% decrease in WACC	(1,279,553)
5% increase in DLOM	395,458
5% decrease in DLOM	(419,927))

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost were not materially different from their fair values as at 31 December 2019, 2020 and 2021.

28 ACQUISITION OF SUBSIDIARIES THAT CONSTITUTE BUSINESS COMBINATIONS

In 2020, the Company completed four acquisitions, including 55% equity interest of Jiangsu Xinwange Medical Technology Co., Ltd., 51% equity interest of Tianjin Hexi District Youyixinhe Comprehensive Clinic Co., Ltd. ("**Tianjin Youyixinhe**"), 100% equity interest of Yinbang Insurance Brokerage Co., Ltd. and 100% equity interest of Shanghai Yitong Culture Media Co., Ltd. ("**Shanghai Yitong**"). The four acquisitions expanded the Group's medicines distribution business, internet hospital business, insurance brokerage business and advertisement agent business respectively.

In 2021, the Company complete two acquisitions, including 51% equity interest of Shanghai Borunao Information Technology Co., Ltd. ("**Shanghai Borunao**") and 55% equity interest of Zhejiang Qilian Medicine Co., Ltd. The two acquisitions expanded the Group's retail pharmacy business and medicines distribution business. The consideration of acquiring Shanghai Borunao is immediately vested share options granted to the vendors entitled to purchase 150,000 shares of the Company.

The following table summarises the total consideration transferred, and the total fair value of assets acquired and liabilities assumed at the acquisition dates of these acquisitions:

	Identifiable assets acquired and liabilities assumed	
	Year ended 31 December	Year ended 31 December
	2020	2021
	RMB'000	*RMB'000*
Intangible assets	47,549	34,914
Property, plant and equipment	4,751	1,801
Cash and cash equivalents	10,764	5,724
Trade receivables	16,794	47,638
Inventories	6,972	37,707
Prepayments and other receivables	46,305	26,848
Other current assets	1,441	—
Trade payables	(10,331)	(50,071)
Other payables and accrued expenses	(17,762)	(30,177)
Contract liabilities	(4,418)	(1,000)
Bank and other loans	(1,500)	(17,215)
Deferred tax liabilities	(11,888)	(8,050)
Other non-current liabilities	(10,000)	—
Net identifiable assets and liabilities	78,677	48,119
Less: Non-controlling interests	13,585	21,775
Add: Goodwill arising from the acquisition *(Note 13)*	19,017	7,002
Total consideration	84,109	33,346
Satisfied by:		
Cash consideration	74,088	22,000
Consideration payable	9,151	8,800
Consideration prepayment	870	—
Fair value of share options issued by the Company	—	2,546

Analysis of the cash flows in respect of the acquisitions during the year is as follows:

	Year ended 31 December 2020	Year ended 31 December 2021
	RMB'000	*RMB'000*
Cash paid by the Group	74,088	22,000
Less: Cash and cash equivalents acquired	10,764	5,724
Net cash outflow in respect of the acquisition	63,324	16,276

Since the acquisition dates in 2020, the four subsidiaries contributed RMB70,206,833 to the Group's revenue and RMB697,343 to the consolidated profit for the year ended 31 December 2020. If the acquisitions had occurred on 1 January 2020, consolidated revenue and consolidated loss for the year ended 31 December 2020 would have been RMB929,021,113 and RMB2,899,305,237 respectively.

Since the acquisition dates in 2021, the two subsidiaries contributed RMB217,461,651 to the Group's revenue and RMB5,601,966 to the consolidated profit for the year ended 31 December 2021. If the acquisitions had occurred on 1 January 2021, consolidated revenue and consolidated loss for the year ended 31 December 2021 would have been RMB1,843,801,544 and RMB4,152,539,519 respectively.

The acquisition-related costs were not significant and had been charged to general and administrative expenses in the consolidated statements of comprehensive income for the year ended 31 December 2020 and 2021.

The valuation technique used for measuring the fair value of intangible assets acquired is multi-period excess earnings method ("**MEEM**"), which is based on expected future economic earnings attributable to the assets. The material assets in this transaction include customer relationship, license and exclusive right.

The fair value measurement of customer relationship, license and exclusive right fall into level 3 of the fair value hierarchy.

29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	934	1,359	4,164
Discretionary bonuses	216	479	1,809
Retirement scheme contributions	53	11	189
Share based payment expenses	25,811	188,450	127,276
	27,014	190,299	133,438

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Transaction with related parties

In addition to the transactions disclosed elsewhere in the Historical Financial Information, the Group has entered into the following material related party transactions during the Track Record Period:

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Guarantees provided by related parties on the Group's bank and other loans at the end of the reporting period	83,900	203,511	10,420
Advance from non-controlling shareholders of the Group	—	—	7,300
Repayment to non-controlling shareholders of the Group	—	—	6,300

The related parties that provided guarantees include Mr Kuang Ming and his spouse and the ultimate beneficial owners of the non-controlling shareholders of subsidiaries, as disclosed in note 22. The guarantees provided by Mr Kuang Ming and his spouse have been released as at 31

October 2021. The remaining guarantees provided by the ultimate beneficial owners of the Group's non-controlling shareholders will be released in March and August 2022 respectively in accordance with related agreements. The directors do not expect to release the guarantees ahead of the agreed schedule.

(c) Balances with related parties

The outstanding balances arising from the above transactions as at the end of each of the Track Record Period are as follows:

The Group

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Non-trade in nature:			
Amounts due from Mr. Kuang Ming in relation to issuance of convertible redeemable preferred shares	2,093	1,957	—
Amounts due from Mr. Kuang Ming in relation to share-based payment	40	6,892	11,877
Amounts due from Ms. Xu Lili in relation to share-based payment	—	—	192
Amounts due to a non-controlling shareholder of the Group	—	—	1,000

The Company

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from Mr. Kuang Ming in relation to issuance of convertible redeemable preferred shares	2,093	1,957	—
Amounts due from Mr. Kuang Ming in relation to share-based payment	40	6,892	11,877
Amounts due from Ms. Xu Lili in relation to share-based payment	—	—	192

The balances with related parties are unsecured and non-trade in nature. Amounts due from Mr Kuang Ming in relation to issuance of convertible redeemable preferred shares have been settled in July 2021. Amounts due from Mr Kuang Ming and Ms Xu Lili in relation to share-based payment will be fully settled before **[REDACTED]**. The amounts due to a non-controlling shareholder of the Group will be settled in June 2022 in accordance with related agreements.

30 RECEIVABLE DUE FROM SUBSIDIARIES

The Company

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Receivable due from subsidiaries	465,758	1,866,590	3,065,801

The balance at 31 December 2019, 2020 and 2021 represent the amounts advance to its subsidiaries.

31 SUBSEQUENT EVENTS

There were no material subsequent events after 31 December 2021 and up to date of approval of these financial statements.

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As of the date of this report, the directors consider the immediate parent of the Company to be HaoYuan health Limited (formerly known as 91health Limited or ClouDr Limited), a company wholly-owned by Mr. Kuang Ming, which is incorporated in the British Virgin Islands and the ultimate controlling party of the Company to be Mr. Kuang Ming.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of this report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the Track Record Period and which have not been adopted in the Historical Financial Information as follows:

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37, Onerous Contracts-Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 17, Insurance contracts and related Amendments	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8, Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 31 December 2021 and up to the date of this report.

The following information does not form part of the Accountants' Report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this document and the historical financial information included in the Accountants' Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and is set out below for the purpose of illustrating the effect of the **[REDACTED]** on the consolidated net tangible liabilities attributable to equity shareholders of the Company as if the **[REDACTED]** had taken place on 31 December 2021.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the **[REDACTED]** been completed as at 31 December 2021 or at any future dates.

	Consolidated net tangible liabilities of the Group attributable to equity shareholders of the Company as at 31 December 2021 [(1)]	**Estimated [REDACTED] from the [REDACTED]** [(2)]	**Estimated impact upon the conversion of the Preferred Shares in issue as at 31 December 2021** [(3)]	**Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company**	**Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share** [(4)]	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$* [(5)]
Based on an **[REDACTED]** of **[REDACTED]** per Share . . .	(7,306,557)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of **[REDACTED]** per Share	(7,306,557)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The consolidated net tangible liabilities of the Group attributable to equity shareholders of the Company as at 31 December 2021 is arrived at after (i) deducting goodwill of RMB25,625,000 and intangible assets of RMB164,583,000 and (ii) adjusting the share of intangible assets attributable to non-controlling interests of RMB21,603,000 from the total deficit attributable to equity shareholders of the Company of RMB7,137,952,000 as at 31 December 2021, which is extracted from the Accountants' Report set out in Appendix I to this document.

(2) The estimated **[REDACTED]** from the **[REDACTED]** are based on the issuance of **[REDACTED]** Shares and the estimated **[REDACTED]** of **[REDACTED]** per Share and **[REDACTED]** per Share, being the **[REDACTED]** and **[REDACTED]** of the indicative **[REDACTED]** range respectively, after deduction of the estimated **[REDACTED]** and other related expenses related to **[REDACTED]** and takes no account of any Shares that may be issued upon exercise of the **[REDACTED]**, and excluding any Shares which may be issued or repurchased by the Company pursuant to the general mandates, and any Shares which may be issued pursuant to the **[REDACTED]** Equity Incentive Scheme.

The estimated **[REDACTED]** from the **[REDACTED]** is converted into RMB at an exchange rate of HK$1.1716 to RMB1 published by PBOC prevailing on 10 June 2022. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted into RMB, or vice versa, at that rate or at any other rate or at all.

(3) As at 31 December 2021, the aggregate carrying amount of convertible redeemable preferred shares was **[REDACTED]**. Upon the **[REDACTED]**, the convertible redeemable preferred shares will be automatically converted into ordinary shares of the Company and will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company would be increased by **[REDACTED]** for the conversion of convertible redeemable preferred shares to ordinary shares had the **[REDACTED]** been taken place on 31 December 2021.

(4) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that **[REDACTED]** Shares were in issue (which is calculated based on 96,756,026 Shares in issue (excluding the 73,329,635 treasury shares held by Prime Forest Assets Limited, as depositary, which are reserved for future delivery upon exercise or vesting of share awards granted under the Company's 2015 Global Share Plan) as at 31 December 2021, **[REDACTED]** Shares would been converted from the convertible redeemable preferred shares in issue as at 31 December 2021 and **[REDACTED]** Shares to be issued under the **[REDACTED]**) without taking into account of any Shares which may be issued upon exercise of the **[REDACTED]**, any Shares which may be issued or repurchased by the Company pursuant to the general mandates, and any Shares which may be issued pursuant to the **[REDACTED]** Equity Incentive Scheme.

(5) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is converted into Hong Kong dollars at an exchange rate of RMB1 to HK$1.1716 published by PBOC prevailing on 10 June 2022. No representation is made that RMB amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate or at any other rate or at all.

(6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company to reflect any trading result or other transactions of the Group subsequent to 31 December 2021.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this document.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 24, 2015 under the Cayman Companies Act. Our Company's constitutional documents consist of its Memorandum and Articles.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on June 10, 2022 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is available on display on the websites of the Stock Exchange and the Company as specified in "Documents Available on Display" in Appendix V.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on June 10, 2022 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US$100,000 divided into 1,000,000,000 shares of US$0.0001 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Act and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such

division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his term of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a

result of the termination of this appointment as Director). The Company may also by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairperson of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the

persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Act; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Act.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting (a) every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have the right to speak, (b) on a show of hands, every member present in such manner shall have one vote, and (c) on a poll, every member present in such manner shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting in each financial year. The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Act or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice

convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding

the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that

effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairperson which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set

such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

3 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

4 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 24, 2015 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

5 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

6 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

7 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

8 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

9 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

10 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

11 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

12 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

13 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

14 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

15 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

16 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting

shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

17 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

18 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

19 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

20 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

21 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

22 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

23 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available on display on the websites as referred to in the section headed "Documents Available on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated under the laws of the Cayman Islands on August 24, 2015 as an exempted company with limited liability. Upon our incorporation, our authorised share capital was US$6,580 divided into 65,800,000 ordinary shares, with par value of US$0.0001 each.

Our registered office address is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in Appendix III.

Our registered place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on August 23, 2021 with the Registrar of Companies in Hong Kong. Ms. Lee Mei Yi and Ms. Fung Wai Sum have been appointed as the authorised representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2. Changes in share capital of our Company

The following sets out the changes in our Company's issued share capital within the two years immediately preceding the date of this document:

1) We issued the following fully paid-up shares with a par value of US$0.0001 each to the following shareholders:

Shareholder	Number of share	Class of share	Issuance Date
Sunshine Life Insurance Corporation Limited	20,416,025	Series D	June 1, 2020
HaoYuan health Limited (formerly known as ClouDr Limited)	6,999,780	Ordinary	June 19, 2020
Jiaxing Yugang Investment Management Partnership (Limited Partnership)	54,262	Series C-2	July 7, 2020
Shenzhen Ping'an Tianyu Equity Investment Fund Partnership (Limited Partnership)	5,371,975	Series C-2	July 7, 2020
Lionet Fund, L.P.	4,000,000	Series C-2	July 15, 2020
Lionet Fund, L.P.	18,437,344	Series D+	July 15, 2020
Summer E-Health Holdings Limited	2,370,852	Series B-1	August 4, 2020
Hong Kong Tigermed Co., Limited	1,354,772	Series B-1	August 4, 2020

Shareholder	Number of share	Class of share	Issuance Date
HaoYuan health Limited (formerly known as ClouDr Limited)	7,907,928	Ordinary	November 11, 2020
MSA Master Advantage Fund L.P. (formerly known as MSA Growth Fund II, L.P.)	7,349,792	Series E	November 11, 2020
Summer E-health Holdings Limited	3,674,896	Series E	November 11, 2020
The Valliance Fund	2,756,172	Series E	November 11, 2020
SIG Global China Fund I, LLLP	4,409,875	Series E	November 11, 2020
TG River III Investment Ltd	2,204,937	Series E	November 11, 2020
SUNNY SPEED LIMITED	3,674,896	Series E	November 11, 2020
ZD Health Medical Big Data (Hangzhou) Equity Investment Fund Partnership (LLP)	9,426,237	Series C-2	December 3, 2020
Bluefly Consulting Limited	673,302	Series C-3-1	January 8, 2021
Bluefly Consulting Limited	2,414,896	Series C-3-2	January 8, 2021
Yijin Digital Cultural Creation Co., Ltd.	4,138,348	Series C-1	January 26, 2021
Arbor Investment I Holdings Limited	3,005,964	Series C-1	May 21, 2021
SUNNY SPEED LIMITED	13,004,538	Series E+	May 21, 2021
Laurion Capital Master Fund Ltd.	3,901,361	Series E+	May 21, 2021
Li Song Foundation Company Limited	2,600,908	Series E+	May 21, 2021
IDG China Venture Capital Fund IV L.P.	691,711	Series E+	May 21, 2021
IDG China IV Investors L.P.	88,561	Series E+	May 21, 2021
Lionet Fund, L.P.	1,040,363	Series E+	May 21, 2021
SINO CULTURE INTERNATIONAL II L.P.	2,600,908	Series E+	May 21, 2021
Summer E-health Holdings Limited	780,272	Series E+	May 21, 2021
SIG Global China Fund I, LLLP	1,300,454	Series E+	May 21, 2021
Shanghai Qiji Technology Partnership (Limited Partnership)	28,582,435	Series D	June 28, 2021
Bluefly Consulting Limited	1,138,045	Series C-1	July 7, 2021
Tianjin Huaxin Pharmaceutical Venture Capital Partnership (Limited Partnership)	224,434	Series C-3-1	July 7, 2021
Tianjin Huaxin Pharmaceutical Venture Capital Partnership (Limited Partnership)	804,966	Series C-3-2	July 7, 2021
Tianji Huaxin Pharmaceutical Venture Capital Partnership (Limited Partnership)	2,858,244	Series D	July 7, 2021
The Valliance Fund	13,004,538	Series E+	July 7, 2021
China Taiping Life Insurance (Hong Kong) Company Limited	3,381,180	Series E+	July 7, 2021
GEM Holding	1,300,454	Series E+	July 7, 2021
EPI Fund I ZY Holding Limited	1,560,545	Series E+	July 7, 2021
EUROCONTINENTAL ASSETS LIMITED	1,300,454	Series E+	July 7, 2021
Zeta Smartgain Limited	1,300,454	Series E+	July 7, 2021

Shareholder	Number of share	Class of share	Issuance Date
Chunbao Lai Holding Limited	1,890,763	Series B-1	July 7, 2021
Dehou Hu Holding Limited	1,659,596	Series B-1	July 7, 2021
Chongqing GP Health Service Investment Fund II LLP (Limited Partnership)	5,070,423	Series B-1	July 13, 2021
Jiaxing Hezhong Zhiyun Equity Investment Partnership (Limited Partnership)	2,216,597	Series B-1	July 13, 2021
Ningbo Meishan Free Trade Port Area Shunfan Investment Management Partnership Enterprise (Limited Partnership)	4,138,348	Series C-1	July 13, 2021
Shanghai Runmin Information Technology Partnership (Limited Partnership)	9,426,237	Series C-2	July 13, 2021
Shanghai Runmin Information Technology Partnership (Limited Partnership)	1,122,171	Series C-3-1	July 13, 2021
Shanghai Runmin Information Technology Partnership (Limited Partnership)	4,024,828	Series C-3-2	July 13, 2021
Lishui Bojiang Dingsheng No. 15 Equity Investment Partnership (Limited Partnership)	583,315	Series D	July 13, 2021
Lishui Bojiang Chuangrui Equity Investment Fund Partnership (Limited Partnership)	5,133,172	Series D	July 13, 2021
Shanghai Qiji Technology Partnership (Limited Partnership)	3,556,277	Series D+	July 13, 2021
Prime Forest Assets Limited	73,329,635	Ordinary Shares	August 6, 2021

Save as disclosed above and in "— Resolutions of our Shareholders dated June 10, 2022" below, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

3. Changes in the share capital of members of our Group

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountants' Report as set out in Appendix I.

The following sets out the changes in the share or registered capital of members of our Group within the two years immediately preceding the date of this document:

- On March 23, 2020, Shanghai Kangyun Information Technology Service Co., Ltd (上海康芸信息技術服務有限公司) was established in the PRC with registered capital of RMB1,000,000. At the time of its establishment, Shanghai Kangyun Information Technology Service Co., Ltd was held as to 100% of its equity interest by Hangzhou Kangsheng.

- On June 23, 2020, Shanghai Kangjing Information Technology Co., Ltd (上海康淨信息技術服務有限公司) was established in the PRC with registered capital of RMB1,000,000. At the time of its establishment, Shanghai Kangjing Information Technology Co., Ltd was held as to 100% of its equity interest by Shanghai Kangmeng Health Management Consultation Co., Ltd (上海康檬健康管理諮詢有限公司).

- On June 23, 2020, Shanghai Kangyangyou Management Consultation Co., Ltd (上海康養悠管理諮詢有限公司) was established in the PRC with registered capital of RMB1,000,000. At the time of its establishment, Shanghai Kangyangyou Management Consultation Co., Ltd was held as to 100% of its equity interest by Shanghai Kangmeng Health Management Consultation Co., Ltd (上海康檬健康管理諮詢有限公司).

- On June 23, 2020, Shanghai Kangquan Information Technology Service Co., Ltd (上海康全信息技術服務有限公司) was established in the PRC with registered capital of RMB1,000,000. At the time of its establishment, Shanghai Kangquan Information Technology Service Co., Ltd was held as to 100% of its equity interest by Shanghai Kangmeng Health Management Consultation Co., Ltd (上海康檬健康管理諮詢有限公司).

- On June 30, 2020, the registered capital of Hangzhou Kangsheng was increased from RMB13,674,382 to RMB13,869,948. This was further increased to RMB13,969,948 on June 30, 2021.

- On July 1, 2020, Hainan Zhiyun Internet Hospital Co., Ltd (海南智雲互聯網醫院有限公司) was established in the PRC with registered capital of RMB1,000,000. At the time of its establishment, Hainan Zhiyun Internet Hospital Co., Ltd was held as to 100% of its equity interest by Hainan Youyi Technology Co., Ltd (海南優醫科技有限公司).

- On August 18, 2020, the registered capital of Shanghai Kangmeng Health Management Consultation Co., Ltd (上海康檬健康管理諮詢有限公司) was increased from RMB5,000,000 to RMB10,000,000.

- On December 30, 2020, 91health Hangzhou was established in the PRC with registered capital of RMB1,000,000, which was subsequently increased to RMB66,000,000. The entire interest in 91health Hangzhou was held by 91health Group HK Limited.

Save as disclosed above, there has been no alteration in the share capital of any member of our Group within the two years immediately preceding the date of this document.

4. Resolutions of our Shareholders dated June 10, 2022

Resolutions of our Shareholders were passed on June 10, 2022, pursuant to which, among others, conditional upon the conditions of the **[REDACTED]** (as set out in this document) being fulfilled:

(a) the Memorandum and the Articles were approved and adopted effective conditional on and immediately prior to the **[REDACTED]** on the **[REDACTED]**;

(b) the re-designation and re-classification of all the Preferred Shares into Shares on a 1:1 basis;

(c) the **[REDACTED]**, **[REDACTED]** and **[REDACTED]** were approved, and our Directors were authorised to negotiate and agree the **[REDACTED]** and to allot and issue the **[REDACTED]** (including pursuant to the **[REDACTED]**);

(d) a general mandate (the "**Sale Mandate**") was granted to our Directors to allot, issue and deal with any Shares or securities convertible into Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted, issued or dealt with, provided that the number of Shares so allotted, issued or dealt with or agreed to be allotted, issued or dealt with by our Directors, shall not exceed 20% of the total number of Shares in issue immediately following the completion of **[REDACTED]**;

(e) a general mandate (the "**Repurchase Mandate**") was granted to our Directors to repurchase our own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the **[REDACTED]**; and

(f) the Sale Mandate was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of the Shares

purchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the **[REDACTED]**.

Each of the general mandates referred to above will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and

- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

5. Explanatory statement on repurchase of our own securities

The following summarises restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.

Shareholders' approval

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

Size of mandate

The exercise in full of the Repurchase Mandate, on the basis of **[REDACTED]** Shares in issue immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme), could accordingly result in up to approximately **[REDACTED]** Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares as at the date of the shareholder approval.

Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable Laws of the Cayman Islands.

Our Company shall not purchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any purchases by our Company may be made out of profits or out of an issue of new shares made for the purpose of the purchase or, if authorised by its Memorandum and Articles and subject to the Companies Ordinance, out of capital provided that our Company will be able to pay our debts as they fall due in the ordinary course of business, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorised by its Memorandum and Articles and subject to the Companies Ordinance, out of capital provided that our Company will be able to pay our debts as they fall due in the ordinary course of business.

Suspension of repurchase

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

Trading restrictions

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

Status of repurchased shares

The listing of all repurchased shares (whether through the Stock Exchange or otherwise) shall be automatically cancelled and the relevant documents of title must be cancelled and destroyed as soon as reasonably practicable.

Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

Takeover implications

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

General

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange to will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

We have not made any repurchases of our Shares in the previous six months.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

(a) an exclusive technology and consulting services agreement dated June 16, 2021, entered into between 91health Hangzhou Limited (杭州智雲匯醫科技有限公司, "**91health Hangzhou**") and Hangzhou Kangming Information Technology Co., Ltd. (杭州康明信息技術有限公司, "**Hangzhou Kangming**"), pursuant to which Hangzhou Kangming agreed to receive the sole and exclusive services from 91health Hangzhou;

(b) a shareholder voting rights proxy agreement dated June 16, 2021, entered into among (x) 91health Hangzhou, (y) Mr. Kuang Ming (匡明) and Ms. Hu Yue (胡悦) (collectively, the "**Registered Shareholders**"), and (z) Hangzhou Kangming, pursuant to which the Registered Shareholders consented unconditionally and irrevocably to appoint 91health Hangzhou or the person designated by 91health Hangzhou to exercise their voting rights and all other shareholder rights in respect of the shares held by them;

(c) an exclusive purchase option agreement dated June 16, 2021, entered into among (x) 91health Hangzhou, (y) Hangzhou Kangming, and (z) the Registered Shareholders, pursuant to which the Shareholders and Hangzhou Kangming granted 91health Hangzhou an exclusive purchase right, whereby 91health Hangzhou may require the Shareholders to sell all or any part of its shares in Hangzhou Kangming to 91health Hangzhou, and/or require Hangzhou Kangming to sell all or any part of its assets to 91health Hangzhou;

(d) an equity pledge agreement dated June 16, 2021, entered into among (x) 91health Hangzhou, (y) the Registered Shareholders, and (z) Hangzhou Kangming, pursuant to which the Registered Shareholders unanimously pledged 100% of their equity interests held by them in Hangzhou Kangming in favour of 91health Hangzhou;

(e) a loan agreement dated June 16, 2021 entered into between 91health Hangzhou and Mr. Kuang Ming (匡明), pursuant to which 91health Hangzhou agreed to provide Mr. Kuang Ming with a loan of RMB24,000,000;

(f) a supplemental exclusive technology and consulting services agreement dated October 11, 2021, entered into between 91health Hangzhou and Hangzhou Kangming to restate and amend the exclusive technology and consulting services agreement dated June 16, 2021;

(g) a supplemental exclusive purchase option agreement dated October 11, 2021, entered into among (x) 91health Hangzhou, (y) Hangzhou Kangming, and (z) the Registered Shareholders to restate and amend the exclusive purchase option agreement dated June 16, 2021;

(h) a supplemental equity pledge agreement dated October 11, 2021, entered into among (x) 91health Hangzhou, (y) the Registered Shareholders, and (z) Hangzhou Kangming to restate and amend the equity pledge agreement dated June 16, 2021;

(i) a shareholder voting rights proxy agreement dated March 1, 2022, entered into among (x) 91health Hangzhou, (y) Hangzhou Kangming, and (z) Yinchuan Zhiyun Internet Hospital Co., Ltd. (銀川智雲互聯網醫院有限公司, "**Yinchuan Zhiyun Internet Hospital**"), pursuant to which Hangzhou Kangming consented unconditionally and irrevocably to appoint 91health Hangzhou or the person designated by 91health Hangzhou to exercise its voting rights and all other shareholder rights in respect of the shares in Yinchuan Zhiyun Internet Hospital held by it;

(j) an exclusive purchase option agreement dated March 1, 2022, entered into among (x) 91health Hangzhou, (y) Hangzhou Kangming, and (z) Yinchuan Zhiyun Internet Hospital, pursuant to which Hangzhou Kangming and Yinchuan Zhiyun Internet Hospital granted 91health Hangzhou an exclusive purchase right, whereby 91health Hangzhou may require Hangzhou Kangming to sell all or any part of its shares in Yinchuan Zhiyun Internet Hospital to 91health Hangzhou, and/or require Yinchuan Zhiyun Internet Hospital to sell all or any part of its assets to 91health Hangzhou;

(k) an equity pledge agreement dated March 1, 2022, entered into among (x) 91health Hangzhou, (y) Hangzhou Kangming, and (z) Yinchuan Zhiyun Internet Hospital, pursuant to which Hangzhou Kangming pledged 100% of its equity interests held by it in Yinchuan Zhiyun Internet Hospital in favour of 91health Hangzhou;

(l) a shareholder voting rights proxy agreement dated March 1, 2022, entered into among (x) 91health Hangzhou, (y) Hangzhou Kangming, and (z) Chengdu Zhiyun Internet Hospital Co., Ltd. (成都智雲互聯網醫院有限公司, "**Chengdu Zhiyun Internet Hospital**"), pursuant to which Hangzhou Kangming consented unconditionally and irrevocably to appoint 91health Hangzhou or the person designated by 91health Hangzhou to exercise its voting rights and all other shareholder rights in respect of the shares in Chengdu Zhiyun Internet Hospital held by it;

(m) an exclusive purchase option agreement dated March 1, 2022, entered into among (x) 91health Hangzhou, (y) Hangzhou Kangming, and (z) Chengdu Zhiyun Internet Hospital, pursuant to which Hangzhou Kangming and Chengdu Zhiyun Internet Hospital granted 91health Hangzhou an exclusive purchase right, whereby 91health Hangzhou may require Hangzhou Kangming to sell all or any part of its shares in Chengdu Zhiyun Internet Hospital to 91health Hangzhou, and/or require Chengdu Zhiyun Internet Hospital to sell all or any part of its assets to 91health Hangzhou;

(n) an equity pledge agreement dated March 1, 2022, entered into among (x) 91health Hangzhou, (y) Hangzhou Kangming, and (z) Chengdu Zhiyun Internet Hospital, pursuant to which Hangzhou Kangming pledged 100% of its equity interests held by it in Chengdu Zhiyun Internet Hospital in favour of 91health Hangzhou;

(o) a shareholder voting rights proxy agreement dated March 1, 2022, entered into among (x) 91health Hangzhou, (y) Hangzhou Kangming, and (z) Tianjin Zhiyun Comprehensive Clinic Co., Ltd. (天津智雲綜合門診有限公司, "**Tianjin Zhiyun**"), pursuant to which Hangzhou Kangming consented unconditionally and irrevocably to appoint 91health Hangzhou or the person designated by 91health Hangzhou to exercise its voting rights and all other shareholder rights in respect of the shares in Tianjin Zhiyun held by it;

(p) an exclusive purchase option agreement dated March 1, 2022, entered into among (x) 91health Hangzhou, (y) Hangzhou Kangming, and (z) Tianjin Zhiyun, pursuant to which Hangzhou Kangming and Tianjin Zhiyun granted 91health Hangzhou an exclusive purchase right, whereby 91health Hangzhou may require Hangzhou Kangming to sell all or any part of its shares in Tianjin Zhiyun to 91health Hangzhou, and/or require Tianjin Zhiyun to sell all or any part of its assets to 91health Hangzhou;

(q) an equity pledge agreement dated March 1, 2022, entered into among (x) 91health Hangzhou, (y) Hangzhou Kangming, and (z) Tianjin Zhiyun, pursuant to which Hangzhou Kangming pledged 100% of its equity interests held by it in Tianjin Zhiyun in favour of 91health Hangzhou;

(r) a shareholder voting rights proxy agreement dated March 1, 2022, entered into among (x) 91health Hangzhou, (y) Hangzhou Kangming, and (z) Yinbang Insurance Brokerage Co., Ltd. (銀邦保險經紀有限公司, "**Yinbang Insurance Brokerage**"), pursuant to which Hangzhou Kangming consented unconditionally and irrevocably to appoint 91health Hangzhou or the person designated by 91health Hangzhou to exercise its voting rights and all other shareholder rights in respect of the shares in Yinbang Insurance Brokerage held by it;

(s) an exclusive purchase option agreement dated March 1, 2022, entered into among (x) 91health Hangzhou, (y) Hangzhou Kangming, and (z) Yinbang Insurance Brokerage, pursuant to which Hangzhou Kangming and Yinbang Insurance Brokerage granted 91health Hangzhou an exclusive purchase right, whereby 91health Hangzhou may require Hangzhou Kangming to sell all or any part of its shares in Yinbang Insurance Brokerage to 91health Hangzhou, and/or require Yinbang Insurance Brokerage to sell all or any part of its assets to 91health Hangzhou;

(t) an equity pledge agreement dated March 1, 2022, entered into among (x) 91health Hangzhou, (y) Hangzhou Kangming, and (z) Yinbang Insurance Brokerage, pursuant to which Hangzhou Kangming pledged 100% of its equity interests held by it in Yinbang Insurance Brokerage in favour of 91health Hangzhou;

(u) **[REDACTED]**; and

(v) **[REDACTED]**.

2. Intellectual property rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

Trademarks registered in China

As at the Latest Practicable Date, we had registered the following trademarks in China which we consider to be or may be material to our business:

NO.	Trademark	Registered owner
1.		Hangzhou Kangsheng
2.	智云加	Hangzhou Kangsheng
3.	cloudr	Hangzhou Kangsheng
4.	智云健康	Hangzhou Kangsheng
5.	智云	Hangzhou Kangsheng

Trademark applications pending in China

As at the Latest Practicable Date, we had applied for the registration of the following trademarks in China which we consider to be or may be material to our business:

NO.	Trademark	Applicant
1.	智云	Hangzhou Kangsheng
2.	智云健康 CloUDr.	Hangzhou Kangsheng

Patent

As at the Latest Practicable Date, we had registered the following patent in China which we consider to be or may be material to our business:

No.	Holder	Name of Patent	Type	Application No.	Authorization Proclamation Date
1.	Hangzhou Kangsheng . .	Blood glucose meter data transit equipment (血糖儀資料傳輸設備)	Utility model	ZL201520171716.8	November 18, 2015

As at the Latest Practicable Date, we had applied for registration of the following patents in China which we consider to be or may be material to our business:

No.	Holder	Name of Patent	Type	Application No.	Date of Application
1.	Hangzhou Kangsheng.	AI method for constructing rational drug use engines at internet hospitals (基於人工智能的互聯網醫院合理用藥引擎構建方法)	Invention	202111289054.0	November 2, 2021
2.	Hangzhou Kangsheng.	Internet based smart medication management system, method and medical management system (基於互聯網的智慧用藥管理系統、方法及醫療管理系統)	Invention	202111536555.4	December 16, 2021
3.	Hangzhou Kangsheng.	A cognitive-behavioral therapy management system and method for chronic insomnia (一種慢性失眠的認知行為療法管理系統及方法)	Invention	202111536607.8	December 16, 2021

Copyrights

As at the Latest Practicable Date, we had registered the following computer software copyrights in China which we consider to be or may be material to our business:

NO	Copyright	Registered Owner
1.	ClouDr. Internet Hospital System	Hangzhou Kangsheng
2.	Zhonghuida Roche Yihui Management System	Hangzhou Kangsheng
3.	ClouDr. Consultation System (Android)	Hangzhou Kangming
4.	ClouDr. Health Software	Hangzhou Kangming
5.	Yihui Health Management System	Hangzhou Kangsheng
6.	ClouDr. Doctor Software	Hangzhou Kangming
7.	DIA Solution Software	Hangzhou Kangsheng
8.	Yihui Mobile Operation System	Hangzhou Kangsheng
9.	Dale Yihui Management System	Hangzhou Kangsheng
10.	Yuyi Information Management System	Hangzhou Kangsheng

NO	Copyright	Registered Owner
11.	ClouDr. Yihui Management System	Hangzhou Kangsheng
12.	DIA Doctor workstation platform software	Hangzhou Kangsheng
13.	Mobile DIA Doctor Platform Software	Hangzhou Kangsheng
14.	Diyi Mobile Insurance System	Yinbang Insurance Brokerage
15.	ClouDr. Consultation PAD Software	ClouDr. Hospital
16.	ClouDr. Consultation Software	ClouDr. Hospital
17.	Online Communication Software for Sweet Home Diabetes Patients	Tangjian Technology
18.	Insurance Route Traceability System	Shenzhen Yinxiaobao
19.	Personal insurance product comparison and analysis system	Shenzhen Yinxiaobao
20.	Intelligent allocation system for business development platform	Shenzhen Yinxiaobao
21.	Personal insurance product plan automatic generation system	Shenzhen Yinxiaobao
22.	Intelligent marketing poster system	Shenzhen Yinxiaobao
23.	OA-based salesperson management system	Shenzhen Yinxiaobao
24.	Yinxiaobao intelligent financial accounting management system	Shenzhen Yinxiaobao
25.	Yinxiaobao Organizational Management System	Shenzhen Yinxiaobao
26.	Yinxiaobao personalized insurance supermarket system software	Shenzhen Yinxiaobao
27.	Comprehensive Policy Inquiry System	Shenzhen Yinxiaobao
28.	Financial and insurance product promotion rate distribution system	Shenzhen Yinxiaobao
29.	Customer disease pre-underwriting software system	Shenzhen Yinxiaobao
30.	Online Management System for Online Insurance Product Database	Shenzhen Yinxiaobao
31.	Yinxiaobao policy hosting software system (Home Edition)	Shenzhen Yinxiaobao
32.	Insurance big data-based insurance news push software	Shenzhen Yinxiaobao
33.	Yinxiaobao policy hosting software system (Enterprise Edition)	Shenzhen Yinxiaobao
34.	Yinxiaobao group insurance non-standard process transaction system software	Shenzhen Yinxiaobao
35.	Yinxiaobao Insurance Customer Assessment Software (Home Edition)	Shenzhen Yinxiaobao
36.	Yinxiaobao Customer Assessment Software (Enterprise Edition)	Shenzhen Yinxiaobao
37.	Yinxiaobao Insurance Customer Acquisition Empowerment System Software	Shenzhen Yinxiaobao
38.	Yinxiaobao Intelligent Insurance Cloud Platform	Shenzhen Yinxiaobao
39.	Yunzhen Network Health Management Service Software	Yunzhen Network
40.	Yunzhen Network ClouDr. Doctor Online Management Software	Yunzhen Network
41.	Yunzhen Network Handheld DIA Doctor Platform Software	Yunzhen Network
42.	Yunzhen Network Diabetes Health Management Service System	Yunzhen Network
43.	Yunzhen Network Healthcare Consultation Software	Yunzhen Network
44.	Yunzhen Network chronic disease management software	Yunzhen Network
45.	Yunzhen Network Remote Medical Management System	Yunzhen Network
46.	Yunzhen Network Medical Big Data and Mobile Intelligent Management Platform	Yunzhen Network
47.	Yunzhen Network DIA+2.0 blood glucose data intelligent transmission management software	Yunzhen Network
48.	Yunzhen Network one-stop chronic disease service and health management platform	Yunzhen Network
49.	Yunzhen Network chronic disease health management medical data platform software	Yunzhen Network
50.	Yunzhen Network Mobile Intelligent Health Management System	Yunzhen Network
51.	Yunzhen Network chronic disease customized treatment management control software	Yunzhen Network
52.	Yunzhen Network Health Management Real-time Monitoring Management Software	Yunzhen Network
53.	Micropharmacy	Zhejiang Qilian

Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

NO	Domain Name	Registered Owner
1.	zhiyun-health.com	Hangzhou Kangsheng
2.	91jkys.com	Hangzhou Kangsheng
3.	91health-group.com	Hangzhou Kangsheng
4.	zyhealth.com	Hangzhou Kangsheng
5.	cloudr.cn	Hangzhou Kangming
6.	kminghealth.com	Hangzhou Kangming
7.	zhiyunyc.com	Yinchuan Zhiyun Internet Hospital

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

Executive Director

Our executive Director [has entered] into a service contract with our Company. The term of appointment shall be for an initial term of three years from the **[REDACTED]** or until the third annual general meeting of our Company after the **[REDACTED]**, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The executive Director is not entitled to receive any remuneration in their capacities as executive Directors under their respective service contracts.

Non-executive Director

Our non-executive Director [has entered] into an appointment letter with our Company on [•]. The term of appointment shall be for an initial term of three years from the **[REDACTED]** or until the third annual general meeting of our Company after the **[REDACTED]**, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The non-executive Director is not entitled to receive any remuneration and benefits in their capacities as non-executive Directors under their respective appointment letters.

Independent non-executive Director

Each of our independent non-executive Directors [has entered] into an appointment letter with our Company. The term of appointment shall be for an initial term of three years from the **[REDACTED]** or until the third annual general meeting of our Company after the **[REDACTED]**, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The annual director's fees of our independent non-executive Directors payable by us under their respective appointment letters is HK$[400,000].

2. Remuneration of Directors

(a) Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses but excluding share-based payments) paid and benefits in kind granted to our Directors by our Group in respect of the year ended December 31, 2021 was approximately HK$1,515,000.

Under the arrangements currently in force, we estimate that the aggregate remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses but excluding share-based payments) payable to, and benefits in kind receivable by, our Directors by any member of our Group in respect of the years ending December 31, 2022 is approximately RMB1,200,000.

3. Disclosure of interests

***Interests and short positions of our Directors in the share capital of our Company or our associated corporations following completion of the* [REDACTED]**

Immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme), the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the

SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the 'Model Code for Securities Transactions by Directors of Listed Issuers' contained in the Listing Rules, to be notified to our Company and the Stock Exchange are set out below:

Interest in our Company

Name of director	Nature of interest	Number of Shares	Approximate % interest in our Company immediately after the [REDACTED][(1)]	Approximate of voting rights in our Company immediately after the [REDACTED][(1)]
Mr. Kuang[(2)]	Interest in a controlled corporation	89,414,780	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The calculations are made assuming the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme.

(2) This includes 89,414,780 Shares held by HaoYuan health Limited (formerly known as ClouDr Limited). The entire interest in HaoYuan health Limited is held through a trust which was established by Mr. Kuang (as settlor) and the beneficiaries of which are himself and his family members. Mr. Kuang is deemed to be interested in the Shares held by ClouDr Group Limited. Each of SIG Global China Fund I, LLLP, FORTUNE SEEKER INVESTMENTS LIMITED, Treasure Harvest Investments Limited and Tembusu HZ II Limited (the "**Proxy Grantor**") has entered into a voting agreement with Mr. Kuang before **[REDACTED]**, pursuant to which each Proxy Grantor granted Mr. Kuang, as their attorney, a voting proxy of **[REDACTED]** of the Shares that each Proxy Grantor holds, in our Company upon **[REDACTED]**, representing an aggregate of approximately **[REDACTED]** voting power in our Company immediately upon the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme). Together with the voting power in our Company that Mr. Kuang holds through HaoYuan health Limited, Mr. Kuang will control an aggregate of approximately **[REDACTED]** voting power in our Company immediately upon the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not granted and no Shares are issued under the **[REDACTED]** Share Award Scheme). See sections headed "History, Reorganisation, and Corporate Structure — Voting Agreements" and "Substantial Shareholders" for details.

Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

Save as disclosed below and in the section headed "Substantial Shareholders", as of the Latest Practicable Date and so far as is known to our Directors or chief executive, no person, other than our Director or chief executive, immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme) would have an interest or short position in the Shares or underlying shares

of our Company or any other member of our Group which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of our Company or any other member of our Group.

Member of our Group	Name of substantial shareholder	Nature of interest	Approximate % held by the substantial shareholder
Shanghai Kanghe Information Technology Service Co., Ltd. (上海康合信息技術服務有限公司).	LIU Tingting (劉婷婷)	Beneficial interest	10
Hainan Youyi Technology Co., Ltd. (海南優醫科技有限公司)	LI Lili (李麗麗)	Beneficial interest	26
	Guangzhou Youyi Technology Co., Ltd (廣州優醫科技有限公司)	Beneficial interest	14
Beijing Tangjian Technology Co., Ltd. (北京唐健科技有限公司)	LAN Feifei (蘭菲菲)	Beneficial interest	20
	XIONG Dehui (熊德輝)	Beneficial interest	20
Zhejiang Qilian Medical Investment Management Co., Ltd. (浙江啓聯醫藥有限公司).	Zhejiang Qilian Medical Investment Management Co., Ltd. (浙江啓聯醫療投資管理有限公司)	Beneficial interest	45
Jiangsu Xinwange Medical Technology Co., Ltd. (江蘇新萬格醫療科技有限公司)	ZHU Qiuna (朱秋娜)	Beneficial interest	45
Shanghai Borunao Information Technology Co., Ltd. (上海渤潤澳信息科技有限公司).	PAN Wenhui (潘文輝)	Beneficial interest	24
	YU Junlan (俞君蘭)	Beneficial interest	49
Shenzhen Yinxiaobao Technology Co., Ltd. (深圳市銀小保科技有限公司) . .	YAN Dichang (嚴地長)	Beneficial interest	13
Chongqing Ruihongkang Biotechnology Co., Ltd. (重慶睿弘康生物科技有限公司)	YU Jing (余靜)	Beneficial interest	15
	WANG Hui (王惠)	Beneficial interest	15
Zhejiang Jijia Pharmaceutical Technology Co., Ltd. (浙江積佳醫藥科技有限公司)	SHAO Xianxing (邵先行)	Beneficial interest	49
Zhejiang Xiening Medicine Co., Ltd. (浙江協寧醫藥有限公司)	Hangzhou Xiekang Health Management Co., Ltd. (杭州協康健康管理有限公司)	Beneficial interest	40

D. SHARE INCENTIVE PLANS

1. [REDACTED] Equity Incentive Scheme

The following is a summary of the principal terms of the **[REDACTED]** Equity Incentive Scheme. The **[REDACTED]** Equity Incentive Scheme does not involve the grant of any share options after **[REDACTED]** and is not subject to Chapter 17 of the Listing Rules.

Purpose

The purpose of the **[REDACTED]** Equity Incentive Scheme is to attract and retain the best available personnel for positions of substantial responsibility, to provide incentives to selected employees, directors, and consultants and to promote the success of the Company's business by offering these individuals an opportunity to acquire a proprietary interest in the success of the Company or to increase this interest, by permitting them to acquire shares of the Company.

Eligible participant

Any person, including an officer, an employee, a director or a consultant employed by the Company or any parent company or subsidiary of the Company (collectively, the "**Service Providers**") or trusts or companies established in connection with any employee benefit plan of the Company for the benefits of the Service Providers but excluding a ten percent owner (aforementioned person who owns more than 10% of the total combined voting power of all classes of outstanding securities of the Company or any parent company or subsidiary of the Company), who is in the employment of or other contractual relationship with any member of the Group. Incentive stock options under the **[REDACTED]** Equity Incentive Scheme may be granted to employees of the Company or any parent company or subsidiary of the Company. The Scheme Committee may, from time to time, select from among all eligible individuals, those to whom awards shall be granted and shall determine the nature and amount of each award (the "**Grantee**").

Maximum number of Shares

The maximum aggregate number of Shares which may be issued pursuant to all awards under the **[REDACTED]** Equity Incentive Scheme shall be 84,254,735 Shares.

If an award expires, becomes unexercisable, or is cancelled, forfeited, or otherwise terminated without having been exercised or settled in full, as the case may be, the shares allocable to the unexercised portion of the award shall again become available for future grant or sale under the **[REDACTED]** Equity Incentive Scheme (unless the **[REDACTED]** Equity Incentive Scheme has terminated). Shares that actually have been issued under the **[REDACTED]**

Equity Incentive Scheme, upon exercise of an option or delivery under a share purchase right or share award, shall not be returned to the **[REDACTED]** Equity Incentive Scheme and shall not become available for future distribution under the **[REDACTED]** Equity Incentive Scheme, except that in the event that shares issued under the **[REDACTED]** Equity Incentive Scheme are reacquired by the Company pursuant to any forfeiture provision, right of repurchase or redemption, or are retained by the Company upon the exercise of or purchase of shares under an award in order to satisfy the exercise price or purchase price for the award or any withholding taxes due with respect to the exercise or purchase, such shares shall again become available for future grant under the **[REDACTED]** Equity Incentive Scheme.

Terms and Conditions of Options

Option agreement. Each grant of an option under the **[REDACTED]** Equity Incentive Scheme shall be evidenced by an option agreement between the optionee and the Company. Each option shall be subject to all applicable terms and conditions of the **[REDACTED]** Equity Incentive Scheme and may be subject to any other terms and conditions that are not inconsistent with the **[REDACTED]** Equity Incentive Scheme and that the Scheme Administrator deems appropriate for inclusion in an Option Agreement. The provisions of the various option agreements entered into under the **[REDACTED]** Equity Incentive Scheme need not be identical.

Exercise price. The exercise price shall be set forth in the option agreement to be entered into between the Company and the optionee under the **[REDACTED]** Equity Incentive Scheme which generally shall not be less than 100% of the fair market value of the Company's shares on the date of grant and such price shall be payable according to the relevant option agreement.

Term of option. The relevant option agreement shall specify the term of the relevant option; provided, however, that the term shall not exceed ten (10) years from the date of grant. Subject to the preceding sentence, the Administrator in its sole discretion shall determine when an option is to expire.

Exercisability. Each option agreement shall specify the date when all or any installment of the option is to become exercisable. the exercisability provisions of any option agreement shall be determined by the Administrator in its sole discretion.

Death or disability. If an optionee dies while a service provider of the Company, then the optionee's option shall expire on the earlier of the following dates: (a) the expiration date determined by option agreement, which shall specify the term of the option; provided, however, that the term shall not exceed ten (10) years from the date of grant, or by the administrator of the **[REDACTED]** Equity Incentive Scheme (the "**Scheme Administrator**"), which is appointed in accordance to the scheme rules of the **[REDACTED]** Equity Incentive Scheme, which in its sole discretion shall determine when an option is to expire; and (b) the last day of the six-month period immediately following the optionee's death, or such later date as the administrator may determine and specify in the option agreement.

Termination of Services (other than by death). If an optionee ceases to be a service provider for any reason other than because of death, then the optionee's options shall expire on the earliest of the following occasions: (a) the expiration date determined by option agreement, which shall specify the term of the option; provided, however, that the term shall not exceed ten (10) years from the date of grant, or by the administrator which in its sole discretion shall determine when an option is to expire; (b) the 30th day following the termination of the optionee's relationship as a service provider for any reason other than disability, or such later date as the administrator may determine and specify in the option agreement, provided that no option that is exercised after the expiration of the three-month period immediately following the termination of the optionee's relationship as an employee shall be treated as an incentive stock option; or (c) the last day of the six-month period following the termination of the optionee's relationship as a service provider by reason of disability, or such later date as the administrator may determine and specify in the option agreement; provided that no option that is exercised after the expiration of the twelve-month period immediately following the termination of the optionee's relationship as an employee shall be treated as an incentive stock option.

Terms and Conditions of Share Purchase Rights and Awards

Restricted share purchase agreement or share award agreements. Each share purchase right or share award under the **[REDACTED]** Equity Incentive Scheme shall be evidenced by a restricted share purchase agreement or share award agreement, respectively, between the purchaser and the Company. Each share purchase right and each share award shall be subject to all applicable terms and conditions of the **[REDACTED]** Equity Incentive Scheme and may be subject to any other terms and conditions that are not inconsistent with the **[REDACTED]** Equity Incentive Scheme and that the Scheme Administrator deems appropriate for inclusion in a restricted share purchase agreement or share award agreement, including without limitation, (i) the number of Shares subject to such restricted share purchase agreement or share award, as applicable, or a formula for determining such number, (ii) the purchase price of the Shares, if any, and the means of payment for the Shares, (iii) the performance criteria, if any, and level of achievement versus these criteria that shall determine the number of Shares granted, issued,

retainable and/or vested, (iv) such terms and conditions on the grant, issuance, vesting, settlement and/or forfeiture of the Shares as may be determined from time to time by the Scheme Administrator (or defined below) and (v) restrictions on the transferability of the award. the provisions of the various restricted share purchase agreements and share award agreements entered into under the **[REDACTED]** Equity Incentive Scheme need not be identical.

Duration of offers of share purchase rights. Any share purchase rights granted under the **[REDACTED]** Equity Incentive Scheme shall automatically expire if not exercised by the purchaser within 30 days (or such longer time as is specified in the restricted share purchase agreement) after the date of grant.

Purchase price. The purchase price, if any, shall be determined by the Scheme Administrator in its sole discretion.

Restrictions on transfer of Shares. Any Shares awarded or sold pursuant to share purchase rights or share awards under the **[REDACTED]** Equity Incentive Scheme shall be subject to such special forfeiture conditions, rights of repurchase or redemption, rights of first refusal, market stand-offs, and other transfer restrictions as the Scheme Administrator may determine.

Payment for Shares

The consideration to be paid for the Shares to be issued under the **[REDACTED]** Equity Incentive Scheme, including the method of payment, shall be determined by the Scheme Administrator (and, in the case of an incentive stock option, shall be determined on the date of grant).

Non-transferability of Awards

Unless otherwise determined by the Scheme Administrator and so provided in the applicable option agreement, restricted share purchase agreement or share award agreement (or be amended to provide), no award under the **[REDACTED]** Equity Incentive Scheme shall be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner (whether by operation of law or otherwise) other than (i) by will or applicable laws of descent and distribution or (except in the case of an incentive stock option) pursuant to a qualified domestic relations order or (ii) by trusts or companies established in connection with any employee benefit plan of the Company (including the **[REDACTED]** Equity Incentive Scheme) for the benefit of a Service Provider or Service Providers, in each case subject to applicable law, and shall not be subject to execution, attachment, or similar process. In the event the Scheme Administrator in its sole discretion makes an award transferable, only a nonstatutory stock option, share purchase right or share award may be transferred provided such award is transferred without payment of consideration to members of the awardee's immediate family or to trusts or partnerships established exclusively for the benefit of the awardee and the members of the awardee's immediate family, all as permitted by applicable law. Upon any attempt to pledge, assign, hypothecate, transfer, or otherwise dispose of any award

or of any right or privilege conferred by the **[REDACTED]** Equity Incentive Scheme contrary to the provisions hereof, or upon the sale, levy or attachment or similar process upon the rights and privileges conferred by the **[REDACTED]** Equity Incentive Scheme, such award shall thereupon terminate and become null and void. incentive stock options may be exercised during the lifetime of the awardee only by the awardee.

Adjustment

Subject to any required action by the members of the Company in accordance with applicable law, the class(es) and number and type of Shares that have been authorized for issuance under the **[REDACTED]** Equity Incentive Scheme but as to which no awards have yet been granted or that have been returned to the **[REDACTED]** Equity Incentive Scheme upon cancellation or expiration of an award, and the class(es), number, and type of Shares covered by each outstanding award, as well as the **[REDACTED]** per Share covered by each outstanding award, shall be proportionately adjusted for any increase, decrease, or change in the number or type of outstanding Shares or other securities of the Company or exchange of outstanding Shares or other securities of the Company into or for a different number or type of shares or other securities of the Company or successor entity, or for other property (including, without limitation, cash) or other change to the Shares resulting from a share split, reverse share split, share dividend, dividend in property other than cash, combination of shares, exchange of shares, combination, consolidation, recapitalization, reincorporation, reorganization, change in corporate structure, reclassification, or other distribution of the Shares effected without receipt of consideration by the Company; provided, however, that the conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration.

Change in control

Save for certain exceptions, "Change in Control" means the occurrence of any of the following events:

(1) any "person" or more than one person acting as a group becomes the "beneficial owner", directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities, except that any change in the ownership of the share capital of the Company as a result of a private financing of the Company that is approved by the Board will not be considered a Change in Control;

(2) the consummation of the sale, lease, or disposition by the Company of all or substantially all of the Company's assets; or

(3) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation;

In the event of a Change in Control, unless the option agreement, restricted share purchase agreement or share award agreement provides otherwise, each outstanding option shall be assumed or an equivalent option shall be substituted by, and each right of the Company to repurchase, redeem or reacquire Shares upon termination of a purchaser's relationship as a Service Provider shall be assigned to, the successor corporation or a parent company or subsidiary of the successor corporation. If, in the event of a Change in Control, the option is not assumed or substituted, or the repurchase, redemption or reacquisition or similar right is not assigned, in the case of an outstanding option, the option shall fully vest immediately and the awardee shall have the right to exercise the option as to all of the optioned shares, including Shares as to which it would not otherwise be vested or exercisable, and, in the case of restricted shares, the Company's repurchase, redemption or reacquisition or similar right shall lapse immediately and all of the restricted shares subject to the repurchase, redemption or reacquisition or similar right shall become vested. If an option becomes fully vested and exercisable, in lieu of assumption or substitution in the event of a Change in Control, the Scheme Administrator shall notify the optionee in writing or electronically that the option shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the option shall terminate upon the expiration of such period.

Administration

The **[REDACTED]** Equity Incentive Scheme shall be administered by the Board or a committee of one or more members of the Board (the "**Scheme Committee**" or "**Scheme Administrator**"), to whom the Board shall delegate the authority and duties to administer the **[REDACTED]** Equity Incentive Scheme.

The Scheme Administrator has the exclusive power, authority and discretion to, among others:

(a) determine the relevant fair market value in accordance with the **[REDACTED]** Equity Incentive Scheme;

(b) select the awardees to whom awards may from time to time be granted under the **[REDACTED]** Equity Incentive Scheme;

(c) determine the number of Shares to be covered by each award granted under the **[REDACTED]** Equity Incentive Scheme;

(d) approve the form(s) of agreement for use under the **[REDACTED]** Equity Incentive Scheme;

(e) determine the terms and conditions of any award granted hereunder including, but not limited to, the exercise price, the purchase price, the time or times when options may be exercised (which may be based on performance criteria), the time or times when repurchase or redemption rights shall lapse, any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any award or the Shares relating thereto, based in each case on such factors as the Scheme Administrator, in its sole discretion, shall determine;

(f) implement a program where (A) outstanding awards are surrendered or cancelled in exchange for awards of the same type (which may have lower exercise/purchase prices and different terms), awards of a different type, or cash, or (B) the exercise/purchase price of an outstanding award is reduced, based in each case on terms and conditions determined by the Scheme Administrator in its sole discretion;

(g) prescribe, amend, and rescind rules and regulations relating to the **[REDACTED]** Equity Incentive Scheme, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable laws of jurisdictions other than the United States;

(h) allow awardees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued under an award that number of Shares having a fair market value equal to the minimum amount required to be withheld. the fair market value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by awardees to have Shares withheld for this purpose shall be made in such form and under such conditions as the Scheme Administrator may deem necessary or advisable;

(i) modify or amend each award, including, without limitation, the discretionary authority to extend the post-termination exercisability of an option longer than is otherwise provided for in an option agreement or accelerate the vesting or exercisability of an option or lapsing of a repurchase or redemption right to which restricted shares may be subject;

(j) construe and interpret the terms of the **[REDACTED]** Equity Incentive Scheme and awards granted pursuant to the **[REDACTED]** Equity Incentive Scheme; and

(k) make any other determination and take any other action that the Scheme Administrator deems necessary or desirable for the administration of the **[REDACTED]** Equity Incentive Scheme.

Duration

The **[REDACTED]** Equity Incentive Scheme shall become effective upon the approval by the Board. Unless sooner terminated as a result of the Board's amendment, alteration, suspension or termination at its discretion, the **[REDACTED]** Equity Incentive Scheme shall continue in effect for a term of twenty (20) years.

Amendment, modification or termination

The Board may, at any time, terminate, amend or modify the **[REDACTED]** Equity Incentive Scheme; provided, however, that to the extent necessary and desirable to comply with applicable laws or stock exchange rules, the Company shall obtain shareholder approval of any amendment as required. No termination, amendment, or modification of **[REDACTED]** Equity Incentive Scheme shall materially and adversely impair the rights of any Awardee with respect to an outstanding Award, unless mutually agreed otherwise between the Awardee and the Administrator, which agreement must be in writing and signed by the Awardee and the Company.

Outstanding RSUs granted

The overall limit on the number of underlying Shares pursuant to the **[REDACTED]** Equity Incentive Schemes is 84,254,735 Shares, representing approximately **[REDACTED]** of the total issued Shares immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme). The number of underlying Shares pursuant to the restricted stock units ("**RSU**") granted, which have not been forfeited or cancelled, under the **[REDACTED]** Equity Incentive Scheme amounts to [80,820,503] Shares. As at the Latest Practicable Date, we had conditionally granted RSUs to [477] participants under the **[REDACTED]** Equity Incentive Scheme.

Below is a list of the directors and senior management who are grantees of the RSUs:

Name	Role	Address	Date of grant	Vesting period (subject to other conditions under the [REDACTED] Equity Incentive Scheme)	Purchase price	Number of Shares under the RSUs granted	Approximate % of issued shares immediately after completion of the [REDACTED][(1)]
Mr. Kuang Ming . .	Executive Director; Chief Executive Officer	Room 1702 Block No. 6, Rongxin Shijia Hongmei Road, Minhang District Shanghai PRC	January 1, 2020	4 years	USD$0.15 per share	6,999,780	**[REDACTED]**
			January 1, 2020	Immediately available	USD$0.15 per share	1,749,945	**[REDACTED]**
			October 1, 2020	Immediately available	USD $0.0001 per share	182,200	**[REDACTED]**
			October 1, 2020	Immediately available	USD$0.01 per share	212,200	**[REDACTED]**
			October 1, 2020	Immediately available	RMB0.015 in USD per share	20,000	**[REDACTED]**
			January 1, 2021	Immediately available	USD$0.15 per share	1,749,945	**[REDACTED]**
Ms. Xu Lili	Chief Financial Officer	Room 301, 3/F No. 266 Hunan Road Hunan Road Street Xuhui District Shanghai China	February 1, 2018	4 years	USD $0.01 per share	2,000,000	**[REDACTED]**
			October 1, 2020	Immediately available	USD $0.01 per share	1,480,865	**[REDACTED]**
			October 1, 2020	4 years	USD$0.35 per share	15,157,159	**[REDACTED]**

Name	Role	Address	Date of grant	Vesting period (subject to other conditions under the [REDACTED] Equity Incentive Scheme)	Purchase price	Number of Shares under the RSUs granted	Approximate % of issued shares immediately after completion of the [REDACTED][(1)]
Mr. Wang Jingxu . .	Vice President	Room 402, 4/F No. 15 Tuanjieyi Village Binhu District Wuxi City, Jiangsu Province PRC	July 23, 2018	4 years	USD$0.1 per share	2,300,000	**[REDACTED]**
			July 23, 2018	4 years	USD$0.1 per share	2,000,000	**[REDACTED]**
			February 1, 2021	4 years	USD$0.15 per share	500,000	**[REDACTED]**
			January 1, 2021	4 years	USD$0.35 per share	2,000,000	**[REDACTED]**
			May 1, 2021	4 years	USD$0.35 per share	3,000,000	**[REDACTED]**
Mr. Li Gang	Head of Technology Department	Room 1301, Unit 2, Block 7, Hejia Yuan Yuhe Yuan, Xihu District, Hangzhou	March 1, 2017	4 years	USD$0.05 per share	50,000	**[REDACTED]**
			March 20, 2017	4 years	USD$0.05 per share	800,000	**[REDACTED]**
			June 16, 2016	4 years	USD$0.01 per share	1,420,000	**[REDACTED]**
			February 5, 2018	Immediately available	RMB0.001 in USD per share	50,000	**[REDACTED]**
			January 1, 2021	4 years	USD$0.35 per share	1,200,000	**[REDACTED]**
Ms. Zuo Yinghui . .	Vice President	Room 201, No. 42, Lane 1880, Longyang Road, Pudong New District, Shanghai	January 1, 2015	1 year	USD$0.0001 per share	3,800,000	**[REDACTED]**
			January 1, 2021	4 years	USD$0.35 per share	350,000	**[REDACTED]**

Note:

(1) The calculation is made assuming the **[REDACTED]** is not exercised and no further Shares are issued under the **[REDACTED]** Share Award Scheme.

2. [REDACTED] Share Award Scheme

The following is a summary of the principal terms of the **[REDACTED]** Share Award Scheme conditionally adopted by our Company on June 10, 2022. The **[REDACTED]** Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. Our Company may appoint one or more trustees ("**Trustee(s)**") to administer the **[REDACTED]** Share Award Scheme with respect to the grant of any award by the Board (an "**Award**") which may vest in the form of Shares ("**Award Shares**") or the actual selling price of the Award Shares in cash in accordance with the **[REDACTED]** Share Award Scheme.

(a) Eligible Persons to the **[REDACTED]** *Share Award Scheme*

Any individual, being an employee, director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group or any affiliate of the Group (including nominees and/or trustees of any employee benefit trust established for them), and any officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate of the Group who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group (an "**Eligible Person**" and, collectively "**Eligible Persons**") is eligible to receive an Award. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the **[REDACTED]** Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the **[REDACTED]** Share Award Scheme.

(b) Purpose of the **[REDACTED]** *Share Award Scheme*

The purpose of the **[REDACTED]** Share Award Scheme is to align the interests of Eligible Persons' with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group.

(c) Awards

An Award gives a selected participant a conditional right, when the Award Shares vest, to obtain the Award Shares or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Award Shares. An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted (the "**Grant Date**") to the date the Award vests (the

"**Vesting Date**"). For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

(d) Grant of Award

(i) Making the grant

The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a selected participant (in the case of the Board's delegate(s), to any selected participant other than a Director or an officer of the Company) by way of an award letter ("**Award Letter**"). The Award Letter will specify the Grant Date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the Vesting Date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an Award to any Director or the chairman of the board of the Company shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed recipient of an Award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

(ii) Restrictions on grants and timing of grants

The Board and its delegate(s) may not grant any Award Shares to any selected participant in any of the following circumstances:

(A) where any requisite approval from any applicable regulatory authorities has not been granted;

(B) where any member of the Group will be required under applicable securities laws, rules or regulations to issue a **[REDACTED]** or other **[REDACTED]** documents in respect of such Award or the **[REDACTED]** Share Award Scheme, unless the Board determines otherwise;

(C) where such Award would result in a breach by any member of the Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction;

(D) where such grant of Award would result in a breach of the **[REDACTED]** Share Award Scheme Limit (as defined below) or would otherwise cause the Company to issue Shares in excess of the permitted amount in the mandate approved by the Shareholders;

(E) where an Award is to be satisfied by way of issue of new Shares to the Trustee, in any circumstances that cause the total Shares issued or allotted to connected persons to be in excess of the amount permitted in the mandate approved by the Shareholders;

(F) where any Director of the Company is in possession of unpublished inside information in relation to the Company or where dealings by Directors of the Company are prohibited under any code or requirement of the Listing Rules and all applicable laws, rules or regulations, from time to time;

(G) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(H) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

(e) Maximum Number of Shares to be Granted

The aggregate number of Shares underlying all grants made pursuant to the **[REDACTED]** Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the **[REDACTED]** Share Award Scheme) will not exceed **[REDACTED]** Shares without Shareholders' approval (the "**[REDACTED] Share Award Scheme Limit**") subject to an annual limit of **[REDACTED]** of the total number of issued Shares at the relevant time.

(f) Scheme Mandate

To the extent that the **[REDACTED]** Share Award Scheme Limit is subsequently increased by way of alteration of the **[REDACTED]** Share Award Scheme and the Company is required to issue and allot new shares to satisfy any Awards in excess of any amount previously approved by the Shareholders, the Company shall at a general meeting propose, and the Shareholders shall consider and, if thought fit, pass an ordinary resolution approving a mandate specifying:

(i) the maximum number of new Shares that may be issued for this purpose; and

(ii) that the Board has the power to issue, allot, procure the transfer of and otherwise deal with the Shares in connection with the **[REDACTED]** Share Award Scheme.

The mandate will remain in effect during the period from the passing of the ordinary resolution granting the mandate until the variation or revocation of such mandate by an ordinary resolution of the Shareholders in a general meeting.

(g) Rights attached to the Award

Save that the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participants even though the Award Shares have not yet vested, the selected participant only has a contingent interest in the Award Shares underlying an Award unless and until such Award Shares are actually transferred to the selected participant, nor does he/she have any rights to any related income until the Award Shares vest. Neither the selected participant nor a Trustee may exercise any voting rights in respect of any Award Shares that have not yet vested.

(h) Rights attached to the Shares

Any Award Shares transferred to a selected participant in respect of any Awards will be subject to all the provisions of the Memorandum and the Articles and will form a single class with the fully paid Shares in issue on the relevant date.

(i) Issue of Shares and/or transfer of funds to the Trustee

The Company shall, as soon as reasonably practicable and no later than 30 business days from the Grant Date, (i) issue and allot Shares to the Trustee under the specific mandate sought from Shareholders during the general meeting and/or (ii) transfer to the Trustee the necessary funds and instruct the Trustee to acquire Shares through on-market transactions at the prevailing **[REDACTED]**, so as to satisfy the Awards.

(j) Assignment of Awards

Unless express written consent is obtained from the Board or the committee of the Board or person(s) to which the Board has delegated its authorities, any Award Shares granted under the **[REDACTED]** Share Award Scheme but not yet vested are personal to the selected participants to whom they are granted and cannot be assigned or transferred. A selected participant shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Award, or enter into any agreement to do so.

(k) Vesting of Awards

The Board or its delegate(s) may from time to time while the **[REDACTED]** Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Within a reasonable time period as agreed between the Trustee and the Board from time to time prior to any Vesting Date, the Board or its delegate(s) will send a vesting notice to the relevant selected participant and instruct the Trustee the extent to which the Award Shares held in the Trust shall be transferred and released from the Trust to the selected participant. Subject to the receipt of the vesting notice and notification from the Board or its delegate(s), the Trustee will transfer and release the relevant Award in the manner as determined by the Board or its delegate(s).

If, in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, solely due to legal or regulatory restrictions with respect to the selected participant's ability to receive the Award in Shares or the Trustee's ability to give effect to any such transfer to the selected participant, the Board or its delegate(s) will direct and procure the Trustee to sell, on-market at the prevailing **[REDACTED]**, the number of Award Shares so vested in respect of the selected participant and pay the selected participant the proceeds arising from such sale based on the actual selling price of such Award Shares in cash as set out in the vesting notice. If there is an event of change in control of the Company by way of a merger, a privatization of the Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the Vesting Dates of any Awards will be accelerated to an earlier date.

(l) Consolidation, subdivision, bonus issue and other distribution

In the event the Company undertakes a subdivision or consolidation of the Shares, corresponding changes will be made to the number of outstanding Award Shares that have been granted provided that the adjustments shall be made in such manner as the Board determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the **[REDACTED]** Share Award Scheme for the selected participants. All fractional shares (if any) arising out of such consolidation or subdivision in respect of the Award Shares of a selected participant shall be deemed as returned shares and shall not be transferred to the relevant selected participant on the relevant Vesting Date. The Trustee shall hold returned shares to be applied towards future Awards in accordance with the provisions of the **[REDACTED]** Share Award Scheme rules for the purpose of the **[REDACTED]** Share Award Scheme.

In the event of an issue of Shares by the Company credited as fully paid to the holders of the Shares by way of capitalization of profits or reserves (including share premium account), the Shares attributable to any Award Shares held by the Trustee shall be deemed to be an accretion to such Award Shares and shall be held by the Trustee as if they were Award Shares purchased by the Trustee hereunder and all the provisions hereof in relation to the original Award Shares shall apply to such additional Shares.

In the event of any non-cash distribution or other events not referred to above by reason of which the Board considers an adjustment to an outstanding Award to be fair and reasonable, an adjustment shall be made to the number of outstanding Award Shares of each selected participant as the Board shall consider as fair and reasonable, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the **[REDACTED]** Share Award Scheme for the selected participants. The Company shall provide such funds, or such directions on application of the returned shares or returned trust funds, as may be required to enable the Trustee to purchase Shares on-market at the prevailing **[REDACTED]** to satisfy the additional Award.

In the event the Company undertakes an open offer of new securities, the Trustee shall not subscribe for any new Shares. In the event of a rights issue, the Trustee shall seek instructions from the Company on the steps or actions to be taken in relation to the nil-paid rights allotted to it.

(m) Cessation of employment and other events

If a selected participant ceases to be an Eligible Person by reason of retirement of the selected participant, any outstanding Award Shares and related income not yet vested shall continue to vest in accordance with the Vesting Dates set out in the Award Letter, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant ceases to be an Eligible Person by reason of (i) death of the selected participant, (ii) termination of the selected participant's employment or contractual engagement with the Group or an affiliate by reason of his/her permanent physical or mental disablement, (iii) termination of the selected participant's employment or contractual engagement with the Group by reason of redundancy, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant, being an employee whose employment is terminated by the Group or an affiliate by reason of the employer terminating the contract of employment without notice or payment in lieu of notice, or the selected participant having been convicted of any criminal offense

involving his or her integrity or honesty, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant is declared bankrupt or becomes insolvent or makes any arrangements or composition with his or her creditors generally, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant ceases to be an Eligible Person for reasons other than those stated this paragraph, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

(n) Alteration of the **[REDACTED]** *Share Award Scheme*

The **[REDACTED]** Share Award Scheme may be altered in any respect (save for the **[REDACTED]** Share Award Scheme Limit) by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any selected participant unless otherwise provided for in the rules of the **[REDACTED]** Share Award Scheme, except:

(i) with the consent in writing of selected participants amounting to three-fourths in nominal value of all Award Shares granted by not yet vested on that date; or

(ii) with the sanction of a special resolution that is passed at a meeting of the selected participants amounting to three-fourths in nominal value of all Award Shares granted by not yet vested on that date.

(o) Termination

The **[REDACTED]** Share Award Scheme shall terminate on the earlier of:

(i) the end of the period of ten years commencing on the **[REDACTED]** except in respect of any non-vested Award Shares granted hereunder prior to the expiration of the **[REDACTED]** Share Award Scheme, for the purpose of giving effect to the vesting of such Award Shares or otherwise as may be required in accordance with the provisions of the **[REDACTED]** Share Award Scheme; and

(ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the **[REDACTED]** Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the Award Shares already granted to a selected participant.

(p) Administration of the **[REDACTED]** *Share Award Scheme*

The Board has the power to administer the **[REDACTED]** Share Award Scheme in accordance with the rules of the **[REDACTED]** Share Award Scheme and, where applicable, the Trust deed, including the power to construe and interpret the rules of the **[REDACTED]** Share Award Scheme and the terms of the Awards granted under the **[REDACTED]** Share Award Scheme. The Board may delegate the authority to administer the **[REDACTED]** Share Award Scheme to a committee of the Board or other person(s) as deemed appropriate at the sole discretion of the Board. The Board or its delegate(s) may also appoint one or more independent third party contractors to assist in the administration of the **[REDACTED]** Share Award Scheme as they think fit.

(q) Grant of Shares under the **[REDACTED]** *Share Award Scheme*

As of the date of this document, no Shares had been granted or agreed to be granted under the **[REDACTED]** Share Award Scheme.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

2. Litigation

Save as disclosed in this document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

3. Joint Sponsors

Each of Morgan Stanley Asia Limited and J.P. Morgan Securities (Far East) Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate of US$1 million for acting as the Company's sponsor for the **[REDACTED]**.

4. Consent of experts

This document contains statements made by the following experts:

Name	Qualification
Morgan Stanley Asia Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO
J.P. Morgan Securities (Far East) Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Tian Yuan Law Firm	Qualified PRC lawyers
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys-at-law
KPMG	Certified public accountants, and Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

As at the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to **[REDACTED]** for or to nominate persons to **[REDACTED]** for **[REDACTED]** in any member of our Group.

Each of the experts named above have given and have not withdrawn their respective written consent to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

5. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

8. Disclaimers

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) there are no commissions (but not including commission to **[REDACTED]**) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and

(ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in the part headed "— Other information — Consent of experts" received any such payment or benefit.

Save as disclosed in this document:

(i) there are no founder, management or deferred shares in our Company or any member of our Group;

(ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this document, or are proposed to be paid, allotted or given to any promoters;

(iii) none of the Directors or the experts named in the part headed "— Other information — Consent of experts" above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iv) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;

(v) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;

(vi) there are no outstanding debentures of our Company or any member of our Group;

(vii) there are no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;

(viii) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option; and

(ix) there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) a copy of the **[REDACTED]**;

(b) the written consents referred to in "Statutory and general information — Other information — Consent of experts" in Appendix IV; and

(c) copies of the material contracts referred to in "Statutory and general information — Further information about our business — Summary of material contracts" in Appendix IV.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.cloudr.cn** during a period of 14 days from the date of this document;

(a) the Memorandum of Association and the Articles of the Company;

(b) the material contracts referred to in "Statutory and general information — Further information about our business — Summary of material contracts" in Appendix IV to this document;

(c) the service contracts and the letters of appointment with our Directors referred to in "Statutory and general information — Further information about our Directors — Particulars of Directors' service contracts and appointment letters" in Appendix IV to this document;

(d) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a summary of which is set forth in "Industry overview" of this document;

(e) the PRC legal opinions issued by Tian Yuan Law firm, our PRC Legal Adviser on PRC law, in respect of certain general corporate matters and property interests in the PRC of our Group;

(f) the Accountants' Report and the report on the unaudited pro forma financial information of our Group prepared by KPMG, the texts of which are set out in Appendix I and Appendix II to this document, respectively;

(g) the audited consolidated financial statements of our Company for the three financial years ended December 31, 2019, 2020 and 2021;

(h) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal adviser on Cayman Islands law, summarising certain aspects of Cayman company law referred to in Appendix III to this document;

(i) the Cayman Companies Act; and

(j) the written consents referred to in "Statutory and general information — Other information — Consent of experts" in Appendix IV to this document.