This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this document. You should read the entire document before you decide to invest in the [**REDACTED**].

There are risks associated with any investments. Some of the particular risks in investing in the [**REDACTED**] *are set out in "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* [**REDACTED**].

OUR BUSINESS

As a service provider in providing express digital healthcare services in China, since our inception in 2014, we have been facilitating the transformation and upgrade of China's healthcare industry by on-demand pharmaceutical retail and medical consultation, primarily with online-to-offline solutions, including operations related to our online platforms, offline smart pharmacies and express delivery service. We are a service providers in the digital retail pharmacy industry in China and ranked No. 3 in such industry by revenue in 2021 with a market share of 1.0%, and the market shares of the service providers in the digital retail pharmacy industry in China ranking the first and the second by revenue in 2021 was 10.0% and 6.5%, respectively, according to the Frost & Sullivan Report. We are the largest product and service provider in the on-demand digital pharmacy industry in China by revenue in 2021 with a market share of 6.8%, according to the Frost & Sullivan Report.

According to the Frost & Sullivan Report, focusing on express delivery, on-demand digital pharmacies aim to provide last-mile delivery service for users to purchase medicines and usually deliver medicines within 30 minutes to users after orders placed, and the on-demand digital pharmacy industry is a sub-segment of the digital retail pharmacy industry. In 2016, the on-demand digital pharmacy industry accounted for 3.4% of the digital retail pharmacy industry. In 2021, the on-demand digital pharmacy industry expanded rapidly due to the change in patients' buying habits caused by the COVID-19 outbreak and the market share of the on-demand digital pharmacy industry in the digital retail pharmacy increased to 9.2%. It is expected that the on-demand digital pharmacy industry will continue to increase from RMB24.1 billion in 2021 to RMB65.6 billion in 2025 with a CAGR of 28.4%, according to the Frost & Sullivan Report. Leveraging our integrated online and offline operations, we provide our users with a full suite of on-demand healthcare products and services, such as drug express, online medical consultation and chronic disease and healthcare management:

- **Drug Express**

  Through our drug express offering, comprising our pharmaceutical and healthcare business, we provide our users with express access to OTC drugs, prescription drugs and healthcare products in a timely and convenient fashion. We have established an omni-channel access network for our drug express offering, including our own online platforms such as our own mobile App and WeChat mini program, third-party online platforms, online distributors and offline purchase directly made at our smart pharmacies.

  Our drug express service offering is mainly operated through our online direct sales channel, in which we sell our products directly to users through online platforms, including our self-operated online platforms and renowned third-party online platforms. In addition, we also serve our users through our network of smart pharmacies across China through our offline retail channel, and we distribute products to major e-commerce retailers, or other online distributors, for further distribution to our users through our business distribution channel. As of the Latest Practicable Date, we have established a network of 351 smart pharmacies across 17 cities in China, delivering products through our delivery force nationwide. Under our drug express business, we directly source products from our pharmaceutical enterprises partners, and sell such products to users from our aforementioned three channels. For our drug express service offering through our online direct sales channel, we collaborate with our delivery partners and third-party carriers under outsourcing arrangements and logistics service agreements, who are responsible for delivery of products to our users. We strive to provide our users with streamlined on-demand drug purchase experience, with products delivered to the purchasers within 28 minutes on a 24/7 basis in regions covered by our express delivery service. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, we recorded 9.0 million, 15.9 million, 22.3 million, 35.9 million and 9.1 million sales orders under express delivery model, representing 63.8%, 60.3%, 55.0%, 59.3% and 60.7% of our total sales orders. During the same periods, the revenue contribution of our express delivery model was RMB244.0 million, RMB565.0 million, RMB887.8 million, RMB1,391.6 million and RMB399.2 million, respectively, representing 55.0%, 55.3%, 47.6%, 44.1% and 45.8% of our revenue from online direct sales channel and offline retail channel. During the Track Record Period, the proportion of sales orders under the express delivery model being delivered to our users within 28 minutes was 58.2%, 76.8%, 85.0%, 88.2% and 79.9%, respectively, and the decrease in the three months ended March 31, 2022 was mainly due to some of our smart pharmacies temporarily ceased operations in the same period as required by the lock-down measures adopted in certain operating cities in respond to the COVID-19 outbreak (we were not required to suspend operations in the same period in 2021), and consequently, the other smart pharmacies in the same operating cities not affected by the lock-down measures and the riders assigned to them had to extend their service radius to provide additional delivery services to our users, which adversely affected our delivery efficiency during the same period. Meanwhile, we also offer delivery options such as regular delivery, pre-order delivery, and offline pickup to meet users' individualized needs. In addition, we provide 24-hour purchase guidance from pharmacists to our users.

- **Online Medical Consultation**

We provide our users with online medical consultation service only in relation to their follow-up online medical consultation demands through our Internet hospitals and our medical team, covering medical conditions such as chronic diseases. As of the Latest Practicable Date, our medical team mainly comprised 20 full-time and 72 part-time doctors, more than 800 external doctors through our collaboration with a third-party medical institution and other medical professionals including 427 pharmacists. The table below sets forth the breakdown of online medical consultation expenses including the remunerations paid to our full-time doctors and part-time doctors and the service fees for external doctors paid to third-party medical institutions by type of doctor for the periods indicated. During the Track Record Period, our doctors did not receive commissions from us, our drug manufacturers or their agents in relation to their prescriptions to patients.

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Full-time doctors	–	–	328.7	49.9	1,409.5	31.3	3,087.3	27.4	393.7	17.4	1,091.0	34.7
External doctors	133.3	100.0	135.3	20.5	1,805.4	40.1	5,886.0	52.3	1,461.0	64.7	1,380.9	43.9
Part-time doctors	–	–	194.6	29.5	1,288.4	28.6	2,278.9	20.3	404.9	17.9	671.6	21.4
Total	133.3	100.0	658.6	100.0	4,503.3	100.0	11,252.2	100.0	2,259.7	100.0	3,143.5	100.0

In terms of the services provided by the doctors on our platform, including our full-time, part-time and external doctors, we may be liable for the obligations regarding their services provided, such as claims for medical malpractice, complaints or blunders. However, in terms of external doctors, according to our agreements with the third-party medical institutions, they shall comply with the relevant laws and regulations governing hospitals and physicians, and shall assume responsibility for their actions. In addition, in terms of part-time doctors, according to our agreements with the part-time doctors, we are liable for handling medical damages and disputes arising from the services provided by them on our platform. The part-time doctors shall comply with the relevant laws and regulations, otherwise we may claim the share of relevant responsibility from them afterwards. In terms of full-time doctors, we carry professional liability insurance covering a maximum of RMB3,000,000 in the aggregate over the course of a year. According to our PRC Legal Advisors, there are no mandatory requirements for medical professional liability insurance under current PRC laws and regulations, and according to the Frost & Sullivan Report, it is normal for online consultation platforms to take professional liability insurance for its full-time doctors to cover related risks, while the specific coverage of the issuance maybe variable due to the number of doctors and users of the online consultation platforms. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any medical malpractice arising from the services provided by our full-time doctors. Based on the forgoing, our Directors are of the view that the Company's professional liability insurance taken for its full-time doctors are sufficient. In relation to the services provided by the external doctors through our platform, relevant third-party medical institutions generally carry and pay for professional liability insurance covering medical malpractice claims for approximately 70% of the external doctors assigned to our platform. As advised by our PRC Legal Advisors, such practice does not violate the PRC laws and regulations, since such medical malpractice liability insurance is not compulsory under the current PRC legal regime. Although we do not maintain insurance policies covering the services provided by the part-time doctors or the external doctors on our platform, we have control on such risks arisen from them by way of contractual arrangements, see "— Online Medical Consultation — Our Medical Team." Our PRC Legal Advisors have also advised that if we take responsibility regarding the services provided by the part-time doctors or external doctors on our platform, we may claim the relevant responsibilities from the part-time doctors or the third-party medical institutions according to relevant agreements. During the Track Record Period and up to the Latest Practicable Date, our services were not involved in any material medical malpractice, complaints or blunders.

During the Track Record Period, other than psychological consultation services, we did not generate revenue under our online medical consultation services. Our follow-up online medical consultation service is provided on a 24/7 basis, where users are promptly matched with the appropriate doctors and can communicate with them through messages or voice calls. We capitalize on our online medical consultation traffic and provide our users with solutions integrating pharmaceutical products and services. Our online medical consultation service brings increased orders to our online direct sales including express drug business. Users may have the access to our offering of prescription drugs through our prescription verification and renewal service after they acquire prescriptions from professional doctors during online medical consultation.

- **Chronic Disease and Healthcare Management**

To complement our drug express and online medical consultation service offerings, we provide a portfolio of chronic disease and healthcare management service offerings, including medication and dosage guidance, follow-up consultation reminders, prescription renewal, health information feedback and healthcare knowledge management. During the Track Record Period, we did not generate revenue under our chronic disease and healthcare management services. We currently focus on chronic diseases such as oncology, liver diseases, cardiovascular diseases, skin diseases and diabetes, and plan to gradually expand our coverage to other chronic diseases in the future. Our chronic disease and healthcare management service offering helps doctors efficiently track, manage and communicate with users, and helps users establish individualized health profiles, which improve patients' drug compliance and our precise prediction of their full life-cycle healthcare demands. In addition, it also strengthens user loyalty to our platform and facilitates the development of express drugs and online medical consultation, as well as brings increased orders to online direct sales.

In addition, we also generate a small portion of revenue from other business, consisting of marketing services, marketplace services and other services.

Our drug express service offering and other medical service offerings are synergistically integrated to create a closed-loop business model, which enables us to enhance our brand image and to provide better services to our users. Users of our other service offerings are potential buyers under our drug express service offering, as the high-quality user experience provided by our service offerings enhances our ability to cross-sell additional drugs and health and wellness products. Simultaneously, users purchasing drugs and health and wellness products under our drug express service offering provide organic traffic to our other service offerings, as such users can be attracted by our well-recognized brand, trustworthy product quality and compelling user experience and consequently choose to experience the services provided under our medical service express business, such as chronic disease and healthcare management and services related to DTP pharmacies.

In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, we recorded a total of 14.1 million, 26.4 million, 40.5 million, 60.5 million, 12.9 million and 15.8 million sales orders from our online direct sales channel and offline channel, respectively, with a CAGR of approximately 62.3% from 2018 to 2021. During the Track Record Period, our ARPO from online direct sales channel (excluding the orders of our partner pharmacies) and offline retail channel was RMB42.4, RMB41.3, RMB47.3, RMB52.7, RMB53.6 and RMB56.3 in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, respectively. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, we also provided our users with a total of 0.1 million, 2.2 million, 4.4 million, 6.8 million, 1.3 million and 1.8 million online medical consultations, respectively. For individual users, based on their refill cycle and medication habits, we also send timely reminders to accurately address their demand for refill prescriptions while improving our repurchase rate.

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
Total sales order[(1)] (in millions)	14.1	26.4	40.5	60.5	12.9	15.8
Total consultation (in millions)	0.1	2.2	4.4	6.8	1.3	1.8

(1) Total sales order refers to the total number of sales orders for our drug express business from our online direct sales channel and offline channel.

The synergy between our online medical consultation service offering and our drug express service offering successfully enhanced our users' willingness to make purchase for our products. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, the conversion rate for our online medical consultation service in terms of realizing sales of product through our self-operated online platforms, defined as the proportion of the number of sales orders placed by users to the number of prescription provided by us from our online medical consultation service, was 51.4%, 69.9%, 68.8%, 77.5% and 81.1%, respectively.

We believe our users are critical to our platform's growth and our market share. During the Track Record Period, our user base continued to grow as we expanded our business and our product and service offerings. The total number of registered users on our self-operated platforms increased from 15.9 million in 2018 to 33.0 million in 2021, with a CAGR of 27.6%, and further increased to 33.9 million for the three months ended March 31, 2022. In terms of maintaining and increasing the stickiness of our users to our platform, during the Track Record Period, we have continued to expand our portfolio of products on our platforms, and improve our delivery services, such as ensuring the orders under the express delivery model being delivered to our users within 28 minutes. In addition, we have employed a variety of online and offline marketing activities, including a customer loyalty scheme, to maintain and increase the stickiness of our users to our platform. Going forward, to enhance user retention, we intend to further expand the scope of our current offerings. For our drug express services, we will continue to increase the variety of products offered under each category on our platform, especially, prescription drugs, healthcare products such as cosmeceuticals, and home medical devices. For our online medical consultation business and chronic disease and healthcare management business, we intend to establish specialized departments, especially in andrology, liver diseases and skin diseases, to attract more high-calibre medical experts and thus provide broader and more specialized online medical services to our users. We also plan to launch additional reward programs based on our current customer loyalty scheme, such as loyalty points for bonus gifts. In addition, to further expand our user base, we plan to continue to promote and strengthen our brand awareness and plan to cooperate with more third-party channels, especially new online channels such as popular online channels such as short-video platforms, to attract more users to enjoy the product and service offerings on our online platform. See "Business Strategies — Further expand the scale of our business" and "Business Sustainability — Steady Growth of User Base and Increase of User Average Spending". We believe our selling and marketing expenses will increase with the implementation of the aforementioned strategies going forward, while we will also enjoy the economies of scale along with the growth of our business.

OUR STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

- A service provider in the provision of express digital healthcare service in China, underpinned by our unique online and offline operations;
- Our full range of on-demand healthcare service offerings which provide superior user experience and facilitate the growth of our user base;
- End-to-end capabilities along our value chain empowering participants in our ecosystem;
- Proprietary technology platform and research and development technical competencies; and
- Experienced management team and unique strategic resources.

OUR STRATEGIES

We strive to offer the ultimate on-demand healthcare product and service offerings to our users and we plan to adopt the following strategies to achieve our goal:

- Further expand the scale of our business;
- Further expand our healthcare product and service offerings;
- Improve our end-to-end capabilities to enhance user experience;
- Further enhance our investment in technologies; and
- Selectively pursue strategic alliances, investments and acquisitions for long-term development.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The table below sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the years indicated derived from our consolidated statements of profit or loss and other comprehensive income set out in the Accountants' Report included in Appendix I to this document:

Summary of Consolidated Statements of Profit or Loss

The following table sets out a summary of our consolidated statements of profit or loss for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000 (unaudited)	%	RMB'000	%
Revenue	584,612	100.0	1,275,589	100.0	2,228,563	100.0	3,678,690	100.0	779,712	100.0	987,407	100.0
Cost of revenue	(344,373)	(58.9)	(805,635)	(63.2)	(1,462,370)	(65.6)	(2,516,379)	(68.4)	(542,788)	(69.6)	(652,986)	(66.1)
Gross profit	**240,239**	**41.1**	**469,954**	**36.8**	**766,193**	**34.4**	**1,162,311**	**31.6**	**236,924**	**30.4**	**334,421**	**33.9**
Fulfillment expenses	(97,510)	(16.7)	(199,676)	(15.7)	(283,178)	(12.7)	(412,279)	(11.2)	(96,311)	(12.4)	(112,374)	(11.4)
Selling and marketing expenses	(140,934)	(24.1)	(278,464)	(21.8)	(441,310)	(19.8)	(834,783)	(22.7)	(159,079)	(20.4)	(208,768)	(21.1)
Research and development expenses	(31,393)	(5.4)	(52,363)	(4.1)	(82,071)	(3.7)	(96,161)	(2.6)	(19,496)	(2.5)	(22,641)	(2.3)
General and administrative expenses	(36,689)	(6.3)	(57,900)	(4.5)	(120,968)	(5.4)	(481,256)	(13.1)	(39,013)	(5.0)	(100,693)	(10.2)
Fair value losses on financial liabilities at fair value through profit or loss ("**FVTPL**")	(33,620)	(5.8)	(150,685)	(11.8)	(754,591)	(33.9)	(912,201)	(24.8)	(669,357)	(85.8)	(280,615)	(28.4)
Other gains and losses, net	3,095	0.5	4,176	0.3	11,049	0.5	27,983	0.8	6,967	0.9	(2,556)	(0.3)
Other income	4,074	0.7	5,145	0.4	16,230	0.7	15,905	0.4	3,464	0.4	4,487	0.5
Finance costs	(3,797)	(0.6)	(5,571)	(0.4)	(6,061)	(0.3)	(17,776)	(0.5)	(2,040)	(0.3)	(1,952)	(0.2)
Share of result of an associate	–	0.0	(91)	0.0	(256)	0.0	–	0.0	–	0.0	–	0.0
Impairment losses under expected credit loss model, net of reversal	(214)	0.0	(221)	0.0	(3,153)	(0.1)	(265)	(0.0)	(595)	(0.1)	(1,116)	(0.1)
[**REDACTED**]	–	0.0	–	0.0	(2,771)	(0.1)	(33,337)	(0.9)	(6,663)	(0.9)	(10,280)	(1.0)
Loss before income tax	**(96,749)**	**(16.5)**	**(265,696)**	**(20.8)**	**(900,887)**	**(40.4)**	**(1,581,859)**	**(43.0)**	**(745,199)**	**(95.6)**	**(402,087)**	**(40.7)**
Income tax expense	(6,423)	(1.1)	(8,236)	(0.6)	(18,793)	(0.8)	(17,115)	(0.5)	(3,717)	(0.5)	(2,329)	(0.2)
Loss and total comprehensive expense for the year	**(103,172)**	**(17.6)**	**(273,932)**	**(21.5)**	**(919,680)**	**(41.3)**	**(1,598,974)**	**(43.5)**	**(748,916)**	**(96.1)**	**(404,416)**	**(41.0)**
Loss and total comprehensive expense for the year/period attributable to:												
Owners of the Company	(107,583)	(18.4)	(276,635)	(21.7)	(924,250)	(41.5)	(1,578,026)	(42.9)	(744,408)	(95.5)	(398,862)	(40.4)
Non-controlling interests	4,411	0.8	2,703	0.2	4,570	0.2	(20,948)	(0.6)	(4,508)	(0.6)	(5,554)	(0.6)
	(103,172)	(17.6)	(273,932)	(21.5)	(919,680)	(41.3)	(1,598,974)	(43.5)	(748,916)	(96.1)	(404,416)	(41.0)

Non-IFRS Measures

We believe that the presentation of such non-IFRS measures of adjusted net loss and adjusted net margin provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net loss (non-IFRS measure) and adjusted net margin (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted net loss (non-IFRS measure) and adjusted net margin (non-IFRS measure) has limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. See "Financial Information — Non-IFRS Measure: Adjusted Net Loss and Adjusted Net Margin."

We define adjusted net loss (non-IFRS measure) as net loss for the periods adjusted by adding back fair value losses on financial liabilities at FVTPL, share-based payments and [**REDACTED**]. We account for the shares with preferred rights as financial liabilities at fair value through profit or loss. After the [**REDACTED**], we do not expect to recognize any further loss or gain on fair value changes from Preferred Shares in the future and expect to revert to a net asset position. The reconciling item is non-cash and does not result in cash outflow. In addition, we account for the compensation cost from share-based payment transactions with employees. The reconciling item is non-cash and does not result in cash outflow. Further, we exclude [**REDACTED**], which arises from activities relating to the [**REDACTED**]. We define adjusted net margin (non-IFRS measure) as adjusted net loss (non-IFRS measure) divided by revenue for the period and multiplied by 100%.

The following table reconciles our adjusted net loss (non-IFRS measure) for the periods indicated:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	(RMB in thousands, except for percentages)					
					(unaudited)	
Reconciliation of net loss to adjusted net loss:						
Net loss for the year/ period	(103,172)	(273,932)	(919,680)	(1,598,974)	(748,916)	(404,416)
Add						
Fair value losses on financial liabilities at FVTPL	33,620	150,685	754,591	912,201	669,357	280,615
Share-based payments	–	–	13,064	323,911	3,153	69,419
[**REDACTED**]	–	–	2,771	33,337	6,663	10,280
Adjusted net loss (non-IFRS measure)	**(69,552)**	**(123,247)**	**(149,254)**	**(329,525)**	**(69,743)**	**(44,102)**
Adjusted net loss margin (non-IFRS measure)	**(11.9)%**	**(9.7)%**	**(6.7)%**	**(9.0)%**	**(8.9)%**	**(4.5)%**

Despite our continued increase in revenue, we have been loss making, and may continue to incur net losses and net operating cash outflow in the near future, primarily because we will be in the phase of seeking a balance between a more effective scale growth and further improvements in operating efficiency, our operation and development strategy while approaching profitability. Our net loss was RMB103.2 million, RMB273.9 million, RMB919.7 million, RMB1,599.0 million, RMB748.9 million and RMB404.4 million for the years ended December 31, 2018, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively. The increase in our net loss from 2018 to 2021 was primarily due to the significant amount of cost of revenue, selling and marketing expenses and general and administrative expenses (which was primarily due to the increase of share-based payment). We incurred significant operating expenses primarily because we intended to drive the rapid growth of our product and service offerings, enhance brand awareness and lay a solid foundation to support our future expansion. In addition to the foregoing factors, our net loss in the Track Record Period was also attributable to the fair value changes on financial liabilities at FVTPL, which will be reclassified to equity as a result of the automatic conversion upon [**REDACTED**].

Revenue, Gross Profit, Gross Profit Margin Breakdowns and Key Operating Metrics

During the Track Record Period, we generated revenue primarily from (1) pharmaceutical and healthcare business, and (2) others. The following table sets forth a breakdown of our revenue by segments for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Pharmaceutical and healthcare business	562,123	96.2	1,250,895	98.1	2,204,689	98.9	3,561,336	96.8	761,224	97.6	956,613	96.9
Others	22,489	3.8	24,694	1.9	23,874	1.1	117,354	3.2	18,488	2.4	30,794	3.1
Total	584,612	100.0	1,275,589	100.0	2,228,563	100.0	3,678,690	100.0	779,712	100.0	987,407	100.0

Revenue from pharmaceutical and healthcare business consists of revenue from online direct sales, business distribution and offline retail, which, in aggregate, accounted for more than 95% of our revenue during the Track Record Period. Others consists primarily of marketing services, marketplace services and other services.

The table below sets forth the breakdown of our revenue by distribution channels in our pharmaceutical and healthcare business:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Online direct sales	389,579	69.3	906,517	72.5	1,695,490	76.9	2,583,613	72.5	535,825	70.4	712,453	74.5
Business distribution	118,378	21.1	229,572	18.3	339,163	15.4	408,918	11.5	98,314	12.9	84,991	8.9
Offline retail[1]	54,166	9.6	114,806	9.2	170,036	7.7	568,805	16.0	127,085	16.7	159,169	16.6
Total	562,123	100.0	1,250,895	100.0	2,204,689	100.0	3,561,336	100.0	761,224	100.0	956,613	100.0

Note:

(1) Our revenue from offline channels increased significantly in the year ended December 31, 2021, as a result of the increase in the number of our DTP pharmacies due to our acquisition of Yaofangwang. See "History — Major Acquisitions." The DTP business under Yaofangwang was mainly conducted through offline retail, which is in line with general practice in the industry.

The table below sets forth the breakdown of our gross profit and gross profit margin by distribution channels in our pharmaceutical and healthcare business:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
									(unaudited)			
Pharmaceutical and Healthcare Business												
Online Direct Sales[1]	152,188	39.1	321,060	35.4	574,394	33.9	773,097	29.9	161,571	30.2	232,172	32.6
Business Distribution[2]	43,918	37.1	78,317	34.1	105,492	31.1	150,700	36.9	31,987	32.5	26,973	31.7
Offline Retail[3]	26,336	48.6	48,146	41.9	65,382	38.5	127,334	22.4	29,337	23.1	46,081	29.0
Others	17,797	79.1	22,431	90.8	20,925	87.6	111,180	94.7	14,029	75.9	29,195	94.8
Total	240,239	41.1	469,954	36.8	766,193	34.4	1,162,311	31.6	236,924	30.4	334,421	33.9

Notes:

(1) Users are our counterparties in our online direct sales channel.

(2) Businesses are our counterparties in our business distribution channel. Our gross profit margin of business distribution decreased in the year ended December 31, 2019, primarily because we proactively adjusted the selling price to enhance the cooperation with distributors and expand our market share. The gross profit further decreased in the year ended December 31, 2020, primarily because we proactively provided competitive price to the distributors to deepen the cooperation and expand market share. The gross profit margin increased in the year ended December 31, 2021, primarily because we improved the distributor mix to strengthen the cooperation with distributors that we seek long-term cooperation with.

(3) Users are our counterparties in our offline retail channel. Our gross profit margin from offline channels decreased significantly in the year ended December 31, 2021, as a result of the increase of the DTP sales volume through offline channels due to our acquisition of Yaofangwang. See "History — Major Acquisitions." The gross profit margin of DTP business was lower than our pharmaceutical and health business prior to such acquisition.

In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, the average user acquisition costs for the online direct sales through our self-operated online platforms were RMB5.9, RMB10.3, RMB6.9, RMB18.2 and RMB18.4, respectively, which were the result of dividing our user acquisition costs, composed of promotion and advertising expenses (excluding the subsidies provided to users, as subsidies were either treated as a reduction in revenue or recognized as contract liabilities, instead of promotion and advertising expenses from accounting treatment perspective, see "— Pricing and Payment") for our self-operated platforms, by the number of new registered users we acquired for the same period. The decrease of average user acquisition cost in 2020 was mainly due to (i) we could acquire users with lower costs during the COVID-19 outbreak when the needs of disinfection-related products and personal protective materials increased substantially during the same period through online retail, and (ii) we opened a relatively small number of new smart pharmacies in 2020. In 2020, we opened 30 smart pharmacies, whereas we opened 106 smart pharmacies in 2021, and thus the relevant marketing expenses were relatively modest in 2020. The increase of average user acquisition cost in 2021 was mainly due to (i) we opened a substantial number of new smart pharmacies in 2021, which caused us to incur more marketing expenses associated with added promotions to attract users; and (ii) our additional cooperations with various new and rising online traffic platforms to promote our brand awareness, as well as maintaining the cooperations with the existing traffic platforms in the background of online traffic decentralization which caused us to incur more marketing expenses. In addition, we expanded our operation to three new operating cities in the same period, with additional local advertising related fees occurred. We spent considerable local advertising related fees when entering into new operating cities to build up our brand awareness, which was higher than our mature operating cities, such as Beijing and Shanghai, where we have enjoyed an enhanced market popularity.

Our online direct sales refers to our sales of products directly to users through online platforms, including our self-operated online platforms, such as our mobile APP and WeChat mini program, as well as renowned third-party online platforms. The tables below set forth the breakdown of the revenue (in absolute amount and as a percentage of our revenue generated from online direct sales), gross profit and gross profit margin by online platforms for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Self-operated online platforms	202,746	52.0	399,622	44.1	619,597	36.5	788,206	30.5	166,792	31.1	194,948	27.4
Third-party online platforms	186,833	48.0	506,895	55.9	1,075,893	63.5	1,795,407	69.5	369,033	68.9	517,505	72.6
Total	389,579	100.0	906,517	100.0	1,695,490	100.0	2,583,613	100.0	535,825	100.0	712,453	100.0

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Self-operated online platforms	65,994	32.6	124,581	31.2	190,014	30.7	189,225	24.0	39,529	23.7	52,023	26.7
Third-party platforms	86,194	46.1	196,479	38.8	384,380	35.7	583,872	32.5	122,042	33.1	180,149	34.8
Total	152,188	39.1	321,060	35.4	574,394	33.9	773,097	29.9	161,571	30.2	232,172	32.6

The higher gross profit margin for online direct sales through third-party platforms than self-operated platforms during the Track Record Period was primarily attributable to the larger revenue proportions of the sales of prescription drugs, which are of lower gross profit margin than that of OTC drugs and healthcare products, according to the Frost & Sullivan Report, through self-operated platforms compared to third-party platforms. The table below sets forth the revenue generated from prescription drugs in absolute amount and as a percentage of corresponding revenues through self-operated platforms and third-party platforms for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Self-operated platforms	36,700	18.1	107,057	26.8	192,902	31.1	365,693	46.4	64,610	38.7	94,800	48.6
Third-party platforms	3,699	2.0	11,125	2.2	148,497	13.8	450,077	25.1	107,685	29.2	136,073	26.3

The following table sets forth the selected key operating metrics of our self-operated online platforms for the periods presented:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	(in millions)					
Total registered users	15.9	21.2	27.3	33.0	28.7	33.9
Average MAU	0.8	1.4	2.2	2.1	1.9	1.7
Average monthly paying users	0.4	0.6	0.8	0.9	0.9	0.7

The decrease in average MAU and average monthly paying users for the three months ended March 31, 2022 from such figures for the year ended December 31, 2021 was primarily because (i) relevant governmental restrictions on the sales of "four types of medicines" (namely colds, fevers, cough relieving and anti-inflammatory) were further tightened in some regions due to the impact of the COVID-19 outbreak for the three months ended March 31, 2022. The performance of our self-operated online platforms was more affected by these governmental restrictions compared to its sales performance via third-party platforms, since the sales of drugs accounted for a higher proportion of the total sales on our self-operated online platforms; (ii) due to certain lock-down measures taken by local governments in regions such as Shenzhen, Guangzhou, Shanghai and Beijing during the first quarter of 2022, some of our smart pharmacies temporarily ceased operation as required by local authorities, and the operation of the our self-operated online platforms experienced some suspension consequently. See "Business — Impact of COVID-19 on our operations"; and (iii) in light of the COVID-19 outbreak and the lock-down measures taken by local governments in the first quarter of 2022, work-from-home or home quarantine policies were widely adopted in China, which lead to high level of user activities on the online-to-offline platforms with one-stop services, and such trend was particularly found in the industry of on-demand digital pharmacy industry, according to Frost & Sullivan, and our revenue generated from third-party online platforms under online direct sales was benefited accordingly during the same period.

The tables below set for the breakdown of our user base, including the breakdown of number and revenue contribution by new and existing registered user for the periods indicated:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	in millions					
Number of new registered user[(1)]	5.6	5.3	6.1	5.7	1.4	0.9
Number of existing registered user[(2)]	10.3	15.9	21.2	27.3	27.3	33.0

Notes:

(1) New registered user represents those who become our registered users during the indicated period.

(2) Existing registered user represents those who become our registered user before the indicated period.

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
									(unaudited)			
Revenue generated from new registered user	124,589	61.5	154,687	38.7	251,322	40.6	148,325	18.8	31,349	18.8	22,487	11.5
Revenue generated from existing registered user	78,157	38.5	244,935	61.3	368,275	59.4	639,881	81.2	135,443	81.2	172,461	88.5
Total	**202,746**	**100.0**	**399,622**	**100.0**	**619,597**	**100.0**	**788,206**	**100.0**	**166,792**	**100.0**	**194,948**	**100.0**

The similar operating metrics of our self-operated online platforms is not available for online direct sales through third party platforms, as the third-party platforms that we cooperate with generally do not provide us with users' information due to privacy concerns. Instead these third-party platforms focus on the sales orders in order to measure their performance. The following table sets forth the number of sales order we received from third-party platforms (excluding those for our partner pharmacies) and the ARPO of online direct sales through third-party platforms (excluding sales order for our partner pharmacies) for the periods indicated:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
Number of sales order from third-party platforms (in millions)	4.2	13.0	25.8	41.5	8.3	11.9
ARPO from online direct sales through third-party platforms (RMB)	44.8	38.9	41.6	43.2	44.5	43.6

The tables below set forth the breakdown of the revenue (in absolute amount and as a percentage of our revenue of pharmaceutical and healthcare business) by product types for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Pharmaceutical and Healthcare Business												
OTC drugs	240,857	42.9	570,941	45.6	854,407	38.8	1,092,406	30.7	240,179	31.6	280,257	29.3
Prescription drugs	53,032	9.4	145,800	11.7	377,764	17.1	1,229,328	34.5	269,599	35.4	321,145	33.6
Healthcare products	268,234	47.7	534,154	42.7	972,518	44.1	1,239,602	34.8	251,446	33.0	355,212	37.1
Total	562,123	100.0	1,250,895	100.0	2,204,689	100.0	3,561,336	100.0	761,224	100.0	956,613	100.0

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Pharmaceutical and Healthcare Business												
OTC drugs	91,086	37.8	185,053	32.4	258,453	30.2	298,959	27.4	61,201	25.5	81,432	29.1
Prescription drugs	14,755	27.8	37,512	25.7	78,828	20.9	215,025	17.5	48,572	18.0	61,343	19.1
Healthcare products	116,601	43.5	224,958	42.1	407,987	42.0	537,147	43.3	113,122	45.0	162,451	45.7
Total	222,442	39.6	447,523	35.8	745,268	33.8	1,051,131	29.5	222,895	29.3	305,226	31.9

We experienced significant growth during the Track Record Period, which was mainly attributable to the increase of our sales order volume that resulted from the enhancement of our popularity among consumers online, the increase in our investment in branding, and in particular, the expansion of our smart pharmacy network. See "Business — Our Smart Pharmacy Network." The increase of revenue from other business was primarily attributable to the increase of marketing services business as a result of the expansion of the scale of our business, the enhanced cooperation with our marketing services customers, and the increase in the influence of our platform.

To encourage repeated purchases, we provide purchasers with a variety of subsidies options such as coupon packages, including welcome coupon package, referring coupon, spend & save, shopping vouchers and special offer. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, we provided subsidies of RMB82.8 million, RMB208.4 million, RMB412.2 million, RMB722.5 million, RMB149.0 million and RMB216.9 million, respectively, to the users. These subsidies are primarily provided under our online direct sales channel. As a result, from the financial performance perspective, our revenue from our online direct sales channel increased by 132.7% from RMB389.6 million in 2018 to RMB906.5 million in 2019, by 87.0% to RMB1,695.5 million in 2020, and further increased by 52.4% to RMB2,583.6 million in 2021. It also increased by 33.0% from RMB535.8 million for the three months ended March 31, 2021 to RMB712.5 million for the three months ended March 31, 2022.

From operating performance perspective, our sales orders, ARPO, total registered users, average MAU and average monthly paying users have rapidly increased during the Track Record Period. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, the subsidy ratio of our online direct sales (defined as the subsidy amount divided by the sum of subsidies and revenue of online direct sales and multiplied by 100%) was 17.5%, 18.7%, 19.6%, 21.9%, 21.8% and 23.3%, respectively. According to the Frost & Sullivan Report, our subsidy ratios were at similar level to those offered by other key market players during the Track Record Period. Our average subsidies ratio increased in the year ended December 31, 2020, 2021 and for the three months ended March 31, 2022, primarily as a result of our strategy to (i) remain competitive in the market where the subsidy ratio by key market players generally increased during the same period, according to the Frost & Sullivan Report; and (ii) retain the users acquired during the COVID-19 outbreak in 2020. The subsidies have made an impact on our gross profit margin to a certain degree, while with the aim to achieve a stable growth of our gross profit margin, we expect to dynamically review our pricing strategy and subsidy policies. We believe we are able to proactively and dynamically adjust different forms of subsidies based on market competition and evolving trends to achieve business objectives and targets.

In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, our gross profit amounted to RMB240.2 million, RMB470.0 million, RMB766.2 million, RMB1,162.3 million, RMB236.9 million and RMB334.4 million, corresponding to gross profit margin of 41.1%, 36.8%, 34.4%, 31.6%, 30.4% and 33.9%, respectively. The decrease of our gross profit margin from 2018 to 2021 was due to the higher growth rate of cost than that of our revenue, primarily as a result of (i) the change in product mix, as the sales of drugs, and, especially, the sales of prescription drugs, which are of lower gross profit margin than that of OTC drugs and healthcare products, according to the Frost & Sullivan Report, increased, as we made efforts to capture opportunities related to the industry trends of prescriptions outflow, (ii) the acquisition of Yaofangwang, which contributed substantially to the increase in our sales of prescription drugs, but had a substantially lower gross profit margin because it carried sizable DTP business, the gross profit of which was lower than prescription drugs business in general, according to the Frost & Sullivan Report, and (iii) our pricing and subsidy strategy, which aimed to enhance market recognition, retain existing users and acquire new users, and maintain competitiveness in the industry. The increase of our gross profit margin for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 was primarily due to reduced product cost that resulted from centralized procurement, optimization of product mix, pilot charging of delivery fees in some cities and product price adjustment strategies that we adopted. In terms of the product price adjustment strategies, we have adjusted the pricing for selected products in consideration of market competition and evolving trends in certain pilot operating cities. Specifically, while maintaining competitive pricing for our products and services, we have dynamically changed our pricing strategy by measuring the competition environment, procurement costs and our inventories in these pilot operating cities. For example, when the procurement cost of a particular SKU decreases, a competitive gross profit margin is able to be achieved with its price remain unchanged, since more flexibility is given to our pricing options.

Summary of Consolidated Balance Sheets

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Inventories	62,724	168,549	323,470	434,022	518,971
Trade and other receivables and prepayments	34,404	87,932	187,584	279,591	308,376
Amounts due from related parties	1,148	814	309	1,086	1,200
Financial assets at FVTPL	81,882	43,267	321,480	–	38,790
Cash and cash equivalents	46,242	144,691	260,574	1,552,994	1,498,232
Current assets	226,400	445,253	1,093,417	2,267,693	2,365,569
Trade and other payables	193,459	247,387	440,697	586,651	692,910
Financial liabilities at FVTPL	111,882	–	–	–	–
Amounts due to related parties	5,696	14,233	45,568	22,512	72,934
Contract liabilities	26,779	25,996	50,653	59,780	57,805
Lease liabilities	18,448	38,994	53,865	61,383	62,834
Income tax payable	2,934	5,614	10,124	8,603	4,200
Deferred income	–	–	598	–	–
Current liabilities	359,198	332,224	601,505	738,929	890,683
Net current (liabilities)/assets	(132,798)	113,029	491,912	1,528,764	1,474,886
Property and equipment	28,437	45,373	46,430	45,013	45,621
Right-of-use assets	66,652	126,914	151,383	168,518	165,682
Goodwill	20,881	85,504	256,417	255,762	255,762
Other intangible assets	4,060	45,400	230,068	199,241	190,416
Investment in an associate	–	389	–	–	–
Rental deposits	2,059	5,344	8,431	9,932	10,509
Non-current assets	122,089	308,924	692,729	678,466	667,990
Contract liabilities	3,383	5,378	9,756	8,899	5,389
Lease liabilities	44,698	79,983	87,388	95,629	91,038
Financial liabilities at FVTPL	101,316	763,883	2,343,474	4,650,950	4,931,565
Deferred tax liabilities	1,076	10,119	49,065	41,581	39,710
Non-current liabilities	150,473	859,363	2,489,683	4,797,059	5,067,702
Equity attributable to owners of the Company	(170,427)	(447,062)	(1,358,415)	(2,612,247)	(2,941,690)
Non-controlling interests	9,245	9,652	53,373	22,418	16,864
Total equity	(161,182)	(437,410)	(1,305,042)	(2,589,829)	(2,924,826)

During the Track Record Period, our net current assets decreased from RMB1,528.8 million as of December 31, 2021 to RMB1,474.9 million as of March 31, 2022, primarily due to an increase in trade and other payables and amounts due to related parties and a decrease in cash and cash equivalents, partially offset by an increase in inventories and financial assets at FVTPL. Our net current assets increased from RMB491.9 million as of December 31, 2020 to RMB1,528.8 million as of December 31, 2021, primarily due to an increase in cash and cash equivalents, inventories, trade and other receivables and prepayments, and a decrease in amounts due to related parties, partially offset by a decrease in financial assets at FVTPL and an increase in trade and other payables. Our net current assets increased from RMB113.0 million as of December 31, 2019 to RMB491.9 million as of December 31, 2020, primarily due to an increase in financial assets at FVTPL, inventories, cash and cash equivalents and trade and other receivables and prepayments, partially offset by an increase in trade and other payables, amounts due to related parties, contract liabilities and lease liabilities. We incurred net current liabilities of RMB132.8 million as of December 31, 2018, compared to net current assets of RMB113.0 million as of December 31, 2019, primarily due to a decrease of the financial liabilities at FVTPL, an increase in inventories and cash and cash equivalents, partially offset by a decrease in financial assets at FVTPL and an increase in trade and other payables and lease liabilities.

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, we recorded net liabilities of RMB161.2 million, RMB437.4 million, RMB1,305.0 million, RMB2,589.8 million, and RMB2,924.8 million, respectively, primarily due to (i) losses during the Track Record Period, and (ii) the significant financial liabilities at fair value through profit or loss, which increased as a result of the increase in the fair value of the preferred shares we issued in preceding rounds of financing. The fair value of our preferred shares increased as a result of the increase in the valuation of our Company. Upon [**REDACTED**], all Preferred Shares will be reclassified from financial liabilities to equity as a result of the automatic conversion into our Shares, as such, our net liabilities position would turn into net assets position. Please refer to the Consolidated Statements of Changes in Equity to the Accountants' Report in Appendix I to this document.

Summary of the Consolidated Statements of Cash Flows

	For the Year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Operating cash flows before movements in working capital	(30,101)	(57,476)	(61,546)	(219,125)	(42,908)	(15,145)
Changes in working capital	43,862	(201,689)	(115,910)	(50,245)	31,389	36,625
Income taxes paid	(3,594)	(6,732)	(15,590)	(26,120)	(5,032)	(8,603)
Net cash generated from/(used in) operating activities	10,167	(265,897)	(193,046)	(295,490)	(16,551)	12,877
Net cash generated from/(used in) investing activities	44,032	10,577	(486,471)	306,635	233,999	(40,264)
Net cash (used in)/generated from financing activities	(21,077)	353,769	795,400	1,271,553	(51,061)	(20,879)
Net increase in cash and cash equivalents	33,122	98,449	115,883	1,282,698	166,387	(48,266)
Cash and cash equivalents at the beginning of the year	13,120	46,242	144,691	260,574	260,574	1,552,994
Effect of foreign exchange rate changes on cash and cash equivalents	–	–	–	9,722	–	(6,496)
Cash and cash equivalents at the end of year, represented by	46,242	144,691	260,574	1,552,994	426,961	1,498,232

We recorded net operating cash inflow in the three months ended March 31, 2022, however, we had net operating cash outflow from 2019 to 2021, especially, our net operating cash outflow increased from RMB193.0 million in 2020 to RMB295.5 million in 2021. Our net cash used in operating activities was primarily attributable to our net loss, which resulted from the increase in costs and expenses being faster than the increase of our gross profit. Our cash was primarily used in operating activities related to the build-up of online-to-offline solutions which include operations related to our online platforms, offline smart pharmacies and express delivery service. Although we achieved continuous increase in revenue and gross profit, our operating expenses increased substantially along with the growth of our business. Specifically, our fulfillment expenses increased as a result of the increase in the order volume of online direct sales; our selling and marketing expenses increased as a result of the increased number of smart pharmacies and the concomitant expenses related to the personnel and operations of smart pharmacies and promotion and advertising related expenses; our research and development expenses increased as a result of our endeavor to further improve our platforms and the delivery efficiency; and our general and administrative expenses increased as a result of the increase in the number of headquarter staff to support our business growth and the increase in professional consultancy fees for our Series C financing.

- For the three months ended March 31, 2022, net cash generated from operating activities was RMB12.9 million, which was primarily attributable to loss before income tax of RMB402.1 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value changes of financial liabilities at FVTPL of RMB280.6 million, share-based payments expenses of RMB69.4 million and depreciation of right-of-use assets of RMB19.1 million; and (ii) changes in working capital, which primarily resulted from an increase in trade and other payables of RMB105.7 million and an increase in amounts due to related parties of RMB50.4 million, partially offset by an increase in inventories of RMB85.1 million. The improvement in the operating cashflow was primarily a result of (i) the improvement in profitability, which we achieved by increasing revenue and gross profit margin, as we dynamically adjusted product mix and made use of economies of scale; and (ii) the improvement in working capital, primarily as a result of our improved trade payable turnover management.

- In 2021, net cash used in operating activities was RMB295.5 million, which was primarily attributable to our loss before income tax of RMB1,581.9 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value change of financial liabilities at fair value through profit or loss of RMB912.2 million, share-based payments expenses of RMB323.9 million and depreciation of right-of-use assets of RMB78.4 million; and (ii) changes in working capital, which primarily resulted from an increase in inventories of RMB109.8 million and an increase in trade and other receivables and prepayments of RMB89.6 million, partially offset by an increase in trade and other payables of RMB136.6 million.

- In 2020, net cash used in operating activities was RMB193.0 million, which was primarily attributable to our loss before income tax of RMB900.9 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value change of financial liabilities at fair value through profit or loss of RMB754.6 million, depreciation of right-of-use assets of RMB47.7 million, depreciation of property and equipment of RMB20.9 million and share-based payment expense of RMB13.1 million; and (ii) changes in working capital, which primarily resulted from an increase in inventories of RMB116.0 million and an increase in trade and other receivables and prepayments of RMB83.1 million, partially offset by an increase in trade and other payables of RMB61.0 million.

- In 2019, net cash used in operating activities was RMB265.9 million, which was primarily attributable to our loss before income tax of RMB265.7 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value changes of financial liabilities at fair value through profit or loss of RMB150.7 million, depreciation of right-of-use assets of RMB35.6 million, and depreciation of property and equipment of RMB16.8 million; and (ii) changes in working capital, which primarily resulted from an increase in inventories of RMB84.7 million, an increase in trade and other receivables and prepayments of RMB44.7 million and a decrease in trade and other payables of RMB84.5 million.

- In 2018, net cash generated from operating activities was RMB10.2 million, which was primarily attributable to our loss before income tax of RMB96.7 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value change of financial liabilities at fair value through profit or loss of RMB33.6 million, depreciation of right-of-use assets of RMB19.6 million and depreciation of property and equipment of RMB13.0 million; and (ii) changes in working capital, which primarily resulted from an increase in trade and other payables of RMB45.4 million and an increase in contract liabilities of RMB17.5 million, partially offset by an increase in inventories of RMB28.7 million.

Key Financial Ratios

The following table sets out our key financial ratios for the periods indicated:

	For the year ended December 31/ As of December 31,				For the three months ended March 31/ As of March 31,	
	2018	**2019**	**2020**	**2021**	**2021**	**2022**
					(unaudited)	
Revenue growth	–	118.2%	74.7%	65.1%	55.9%	26.6%
Gross profit margin[(1)]	41.1%	36.8%	34.4%	31.6%	30.4%	33.9%
Net margin[(2)]	(17.6)%	(21.5)%	(41.3)%	(43.5)%	(96.1)%	(41.0)%
Adjusted net margin (non-IFRS measure)[(3)]	(11.9)%	(9.7)%	(6.7)%	(9.0)%	(8.9)%	(4.5)%
Current ratio[(4)]	0.6	1.3	1.8	3.1	1.6	2.7
Quick ratio[(5)]	0.5	0.8	1.3	2.5	1.0	2.1

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

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

(3) Adjusted net margin (non-IFRS measure) equals adjusted net loss (non-IFRS measure) divided by revenue for the year and multiplied by 100%.

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

(5) Quick ratio equals current assets less inventories and divided by current liabilities as of the same date.

BUSINESS SUSTAINABILITY

During the Track Record Period, our operational and financial performance continued to improve as we expanded our business and our product and service offerings. As illustrated above, we have achieved substantial growth from an operational perspective during the Track Record Period, such as the sales orders from our online direct sales channel and offline channel, the ARPO from online direct sales channel (excluding the orders of our partner pharmacies) and offline retail channel, the number of our smart pharmacies, our total registered users, the average MAU and the average monthly paying user. In addition, from a financial perspective, both of our total revenue and gross profit have increased substantially during the Track Record Period, and though our gross profit margin fluctuated during the same periods, it has remain a stable growth since the beginning of 2022. See "Business — Business Sustainability."

During the Track Record Period, we were also able to achieve various operating leverage based on the enhanced economies of scale effect we have achieved, as well as the improvement of our general research and development systems. As such, our fulfillment expenses, selling and marketing expenses, research and development expenses and general and administrative expenses generally grew alongside our business growth, while as percentages of our total revenue declined during the same periods.

The following table sets forth the achievement of our operating leverage for the periods indicated:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	%					
					(unaudited)	
Fulfillment expenses as a percentage of our revenue	16.7	15.7	12.7	11.2	12.4	11.4
Selling and marketing expenses as a percentage of our revenue	24.1	21.8	19.8	22.7[(1)]	20.4	21.1[(2)]
Research and development expenses as a percentage of our revenue	5.4	4.1	3.7	2.6	2.5	2.3
General and administrative expenses as a percentage of our revenue	6.3	4.5	5.4[(3)]	13.1[(4)]	5.0	10.2

Notes:

(1) Selling and marketing expenses as a percentage of revenue increased in 2021, which was primarily attributable to our increased staff costs and branding promoting activities.

(2) Selling and marketing expenses as a percentage of revenue increased in the three months ended March 31, 2022 compared to the same period in 2021, which was primarily attributable to the increase in commission fees, as we continue to actively engage live-streaming marketing to increase sales, and, accordingly, incurred substantial commission fees to live rooms and hosts.

(3) General and administrative expenses as a percentage of revenue increased in 2020, primarily attributable to the increase in professional services fee resulted from the engagement of professional service parties in 2020 as a result of our series B+ financing and the Reorganization, which outpaced the increase in our revenue.

(4) General and administrative expenses as a percentage of revenue increased in 2021 was primarily due to the increase in the share-based payment. The adjusted general and administrative expense as a percentage of our revenue was 6.3%, 4.5%, 5.0%, 4.5%, 4.8% and 3.2%, respectively, in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, which is excluding the impact of share-based payments.

We experienced strong business growth during the Track Record Period. Benefiting from the solid foundation we have built and the momentums we have achieved, our Directors believe we are able to maintain sustainability and growth of our business. Going forward, we plan to achieve profitability primarily by further (i) growing our user base and their average spending; (ii) achieving revenue growth in our principal business by increase of sales order volume and ARPO; (iii) improving our result of gross profit margin and increasing operating leverage; and (iv) improving our asset position and cash flow position. These will allow us to increase our revenue and manage our cost and expenses to reach profitability and realize positive operating cashflows. However, we are expected to continue recording a net loss position in the near future, and our path to profitability may not materialize. See "Risk Factors — We had net loss and total comprehensive expense and accumulated losses, and we recorded net liabilities during the Track Record Period. We cannot ensure future profitability."

We have been loss making during the Track Record Period, as we focused on improving products accessibility, effectiveness and affordability to users, rather than seeking immediate financial returns or profitability in short term, in order to lay a solid foundation for long-term development. Our future profitability is subject to various factors, including our ability to effectively optimize sales order volume and average revenue per order, as well as gross profit margin, and to reduce operating expenses as a percentage of revenue. Despite our continued increase in revenue, we may continue to incur net losses and net operating cash outflow in the near future, primarily because we will be in the phase of seeking a balance between a more effective scale growth and further improvements in operating efficiency, our operation and development strategy while approaching profitability.

In light of our cash outflow from operating activities, net liabilities and net losses during the Track Record Period, going forward, we plan to ensure our working capital sufficiency primarily by (i) generating more revenue through expanding our user base, further enhancing our user engagement and broadening our product and service offerings, and improving gross profit margin through dynamically adjusting product mix to include products of higher profit margin, among others; (ii) adopting comprehensive measures to effectively control cost and operating expenses. With our procurement size increasing with the growth of our business scale, we expect to have better bargaining power to obtain more favorable price and credit terms to effectively control cost. Our implementation of centralized procurement also helps us control costs of products. In addition, we expect that the growth of our revenue shall surpass the growth of our fulfillment expenses, since even though the absolute amount of our fulfillment expenses shall go up in line with the increase of our sales order volume, we are able to reduce per order delivery costs by elevating delivery efficiency through research and development. Based on the big data collected, our smart order dispatchment system and path optimization system can calculate the best match of the rider with the order by analysing information, including ordered products, delivery requirements, locations and the characteristics of riders, in order to provide the best delivery service for each user, rider and smart pharmacy while minimizing our delivery costs. To further reduce the delivery costs, we will further optimize the our research and development systems. For example, we plan to upgrade the aforementioned systems' capacity to accurately identify orders with similar delivery conditions and dispatch them to the same rider. We also plan to introduce new modules to the aforementioned systems to automatically delegate eligible orders to third-party carriers when the delivery capacity of our delivery partners is limited, in order to balance the overall delivery efficiency and delivery costs. In addition, we intend to cooperate with leading uncrewed vehicle delivery service providers and pilot a new delivery model with a combination of uncrewed vehicles and manual labor in areas approved by relevant laws and regulations to reduce the delivery costs in general. Since we have been invested in these systems during the Track Record Period and have achieved sound results, we believe further related investments would not have substantial impact on our research and development expenses going forward; (iii) enhancing cost control capacity by making full use of economies of scale to achieve faster growth in revenue than in cost of revenue; and (iv) enhancing working capital management efficiency by proactive management of trade receivables, trade payables and inventory turnover and deepened cooperation with our suppliers. We have allocated dedicated human power by improving staffing and staff's expertise to strengthen inventory management. We have also applied data analysis and product demand forecast method and further enhanced the development of suppliers and the replenishment management system to improve the inventory turnover management. As a result, our inventory turnover days decreased from 60.6 days for the year ended December 31, 2020 to 54.2 days for the year ended December 31, 2021. In particular, we seek to improve our liquidity going forward by driving our operating cash flow through our expanding smart pharmacy network to achieve the improvement of overall business scale and profitability.

In view of net operating cash outflows as of December 31, 2021, we expect our operating cash flow position to improve as a result of (i) increasing sales revenue and improving gross profit margin; (ii) reducing per order delivery costs by elevating delivery efficiency through research and development, with results that our revenue shall surpass the growth of our fulfillment expenses, though the absolute amount of our fulfillment expenses shall go up in line with the increase of our sales order volume; (iii) enhancing cost control capacity by making full use of economies of scale to achieve faster growth in revenue than in cost of revenue; and (iv) continuously improving working capital management by proactive management of trade receivables, trade payables and inventory turnover and deepened cooperation with our suppliers. See "Financial Information – Liquidity and Capital Resources – Net Cash from/(Used in) Operating Activities."

See "Business – Business Sustainability."

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 invest in our [**REDACTED**]. Some of the major risks we face relate to: (i) our ability to provide superior user experience and maintain users' trust in our brand, our product and service offerings; (ii) the development of digital health and wellness market and our ability to drive user engagement; (iii) the fact that we are subject to extensive and evolving regulatory requirements; (iv) the fact that we are in the early stage of development with a limited operating history in an emerging and dynamic industry; (v) our ability to compete effectively; (vi) the fact that our sale of pharmaceutical and healthcare products is subject to a variety of risks; (vii) our ability to manage the growth of our business and operations or implement our business strategies successfully; (viii) our ability to continue to attract and retain users; (ix) our ability to handle and secure data; (x) the possible impairment losses of goodwill and other intangible assets; and (xi) potential tax exposure to the Group arising from the difference of PRC enterprise income tax and VAT rate between Dingdang Medicine Express Technology and the WFOE under the Contractual Arrangements.

OUR CONTROLLING SHAREHOLDERS GROUP AND CONTINUING CONNECTED TRANSACTIONS

As at the Latest Practicable Date, Mr. Yang Wenlong indirectly owns or controls 50.48% of the voting rights of our Company (as to approximately 21.16% being held through Delight Health Limited, approximately 22.59% being held through Future Health Limited, approximately 6.73% being held or controlled through voting rights entrustment arrangements (including, 0.90% being held or controlled through Excel Returns Group Limited, approximately 4.16% being controlled through Go Prosper Enterprises Corporation, and approximately 1.67% being controlled through Much Premium Investment Limited) ("**Voting Rights Entrustment Arrangements**"). Delight Health Limited is a wholly owned subsidiary of Delight Faith Limited, a company owned by Mr. Yang Wenlong as to 60% of its equity interest and by Mr. Yang Yibin as to 40% of its equity interest. Future Health Limited is a wholly owned subsidiary of Go Far Limited, a company owned by Mr. Yang Wenlong as to 60% of its equity interest and by Mr. Yang Xiao as to 40% of its equity interest. Therefore, Mr. Yang Wenlong, Mr. Yang Yibin and Mr. Yang Xiao, Excel Returns Group Limited, Go Prosper Enterprises Corporation and Much Premium Investment Limited, Delight Health Limited, Future Health Limited, Delight Faith Limited, and Go Far Limited are deemed to be a group of Controlling Shareholders ("**Controlling Shareholders Group**") of our Company. Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), the Controlling Shareholders Group will be interested in [**REDACTED**]% of the voting rights of our Company and thus remain a group of Controlling Shareholders of our Company. See "Relationship with our Controlling Shareholders Group" for further details.

We have entered into and are expected to continue with certain transactions after the completion of the [**REDACTED**] which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon [**REDACTED**]. See "Connected Transactions" and "Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Non-exempt Continuing Connected Transactions."

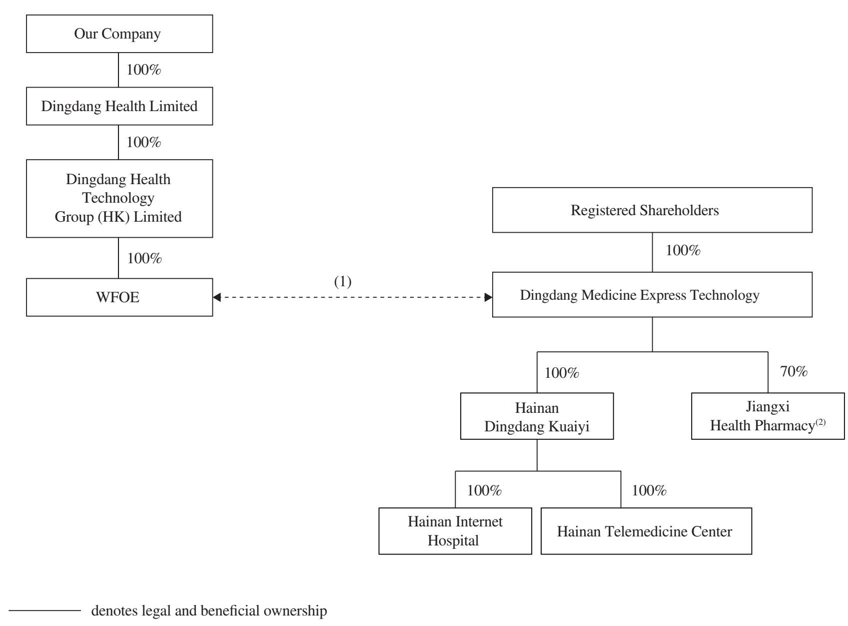
PRE-[REDACTED] INVESTMENTS

We have completed several rounds of equity financing in the past few years. See "History, Reorganization and Corporate Structure — Pre-[**REDACTED**] Investments" for details.

CONTRACTUAL ARRANGEMENTS

The operations of our Consolidated Affiliated Entities are subject to various foreign ownership restrictions under PRC laws and regulations. In order to maintain and exercise control over our Consolidated Affiliated Entities, we have adopted Contractual Arrangements. These Contractual Arrangements allow us to enjoy the economic benefits of our Consolidated Affiliated Entities and consolidate their results of operations into ours. See "Contractual Arrangements."

The diagram below illustrates the relationships among the entities under the Contractual Arrangements:



Notes:

(1) The WFOE provides business support, technical and consulting services in exchange for service fees from Dingdang Medicine Express Technology. For details, please refer to "Contractual Arrangements — Summary of the Material Terms under the Contractual Arrangements."

(2) The remaining 30% equity interest of Jiangxi Health Pharmacy is held by Feng Gang (馮鋼), who holds several positions within our Group, including the executive director and general manager of Dingdang Smart Pharmacies (Shanghai) Co., Ltd (叮噹智慧藥房(上海)有限公司).

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the [**REDACTED**] of the Stock Exchange for the granting of the [**REDACTED**] of, and permission to deal in, our [**REDACTED**] in issue and to be issued pursuant to the [**REDACTED**] on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue of RMB3.7 billion (equivalent to approximately HK$4.6 billion) for the year ended December 31, 2021 exceeds HK$500 million, and (ii) our expected market capitalization at the time of [**REDACTED**], which, based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], exceeds HK$[**REDACTED**].

DIVIDEND

During the Track Record Period and up to the Latest Practicable Date, the Company did not declare any dividend to our shareholders. As advised by our Cayman Islands counsel, under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profits or share premium account. Even if there is an accumulated loss, a dividend may be paid out of the share premium account, provided that the memorandum and articles of association of the Cayman Islands company do not prohibit such payment and that the Cayman company satisfies the solvency test set out in the Cayman Companies Act. There are no provisions in the Memorandum and Articles which prohibit dividends being declared and paid out of our share premium account notwithstanding our profitability, provided that our Company satisfies the solvency test set out in the Cayman Companies Act. Our future declarations of dividends will be at the absolute discretion of the Board based on future profitability. There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors including our future earnings and cash inflows, future plan for use of funds, long-term development of our business and other legal and regulatory restrictions.

USE OF [REDACTED]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million from the [**REDACTED**] after deducting the [**REDACTED**] and other estimated expenses paid and payable by us in connection with the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised. In line with our strategies, we intend to use our [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, for business expansion, such as the further development of smart pharmacy network, and enhancement of user growth and engagement;

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, for optimizing of our technology systems and operating platforms;

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, for upgrading our services and business, such as building professional structure of full-time doctors and pharmacists;

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, for our potential investments and acquisitions or strategic alliances along with the value chain of the healthcare industry in which we operate; and

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, for working capital and other general corporate purpose.

RECENT DEVELOPMENTS

Since the end of the Track Record Period and up to the Latest Practicable Date, our business continued to expand.

As of the Latest Practicable Date, we had 351 smart pharmacies and a team of 20 full-time and 72 part-time doctors, more than 800 external doctors that we were connected to through our collaboration with a third-party medical institution and 427 pharmacists, which effectively meets the needs of our users for real-time consultation with the support from our platform and technologies. As of the Latest Practicable Date, the number of our distributors was 210. As of June 30, 2022, we had a total of 35.7 million registered users and our average MAU and average monthly paying users are 0.3 million and 0.7 million, respectively. As of June 30, 2022, we had 350 smart pharmacies, and a team of 19 full-time and 73 part-time doctors, more than 800 external doctors that we were connected to through our collaboration with a third-party medical institution and 423 pharmacists. For the six months ended June 30, 2021 and 2022, we record a total of 25.6 million and 29.4 million, respectively, sales orders from our online direct sales channel and offline channel. Our ARPO from online direct sales channel (excluding the orders of our partner pharmacies) and offline retail channel was RMB54.6 and RMB59.2, respectively, for the six months ended June 30, 2021 and 2022. According to our unaudited condensed financial information for the six months ended June 30, 2021 and 2022, we recorded RMB1,643.6 million and RMB1,989.8 million of revenue with a gross profit of RMB503.7 million and RMB664.7 million, representing a gross profit margin of 30.6% and 33.4%, respectively.

Despite our continued increase in revenue, we are expected to continue recording a net loss position in 2022, primarily because we will be in the phase of seeking a balance between a more effective scale growth and further improvements in operating efficiency, our operation and development strategy while approaching profitability. See "Risk Factors — We had net loss and total comprehensive expense and accumulated losses, and we recorded net liabilities during the Track Record Period. We cannot ensure future profitability."

Going forward, we plan to achieve profitability primarily by further (i) growing our user base and their average spending; (ii) achieving revenue growth in our principal business; (iii) improving our result of operations and increasing operating leverage; and (iv) improving our asset position and cash flow position. These will allow us to increase our revenue and manage our cost and expenses to reach profitability and realize positive operating cashflows. See "Business — Business Sustainability."

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 March 31, 2022, being the end date of the periods reported on in the Accountants' Report in Appendix I to this document, and there is no event since March 31, 2022 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document. We are responsible for the preparation of the unaudited condensed financial information for the six months ended June 30, 2022 in accordance with the basis of preparation as well as the accounting policies, which conform with the International Financial Reporting Standards, and are consistent with those adopted for the preparation of the historical financial information for the four years ended December 31, 2021 and the three months ended March 31, 2022 as set out in the Accountants' Report in Appendix I to this document. Our unaudited condensed financial information for the six months ended June 30, 2022 has been reviewed by our Reporting Accountants in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

Regulatory Development on Drug Administration

The Implementation Regulations of the Drug Administration Law of the PRC (Revised Draft for Comments) (《中華人民共和國藥品管理法實施條例(修訂草案徵求意見稿)》) published by the National Medical Products Administration on May 9, 2022 (the "**Draft Implementation Regulations**"), which has not been formally adopted, made proposed changes in research and development, production, sales, supervision and management of drugs, and the proposed changes related to us mainly relates to our drug sales operation. One of the most important proposed changes in drug administration is Article 83 of the Draft Implementation Regulations which proposes that third-party platform providers shall not be directly involved in online drug sales activities. In addition, the Draft Implementation Regulations made detailed provisions in the management of drug sales operation business, for example, pharmaceutical companies should establish a drug traceability system, sell prescription drugs in closed shelves, and shall not give away or promote prescription drugs and Class A non-prescription drugs. Besides, drug retail chain enterprises should set up a unified management system and meet strict regulatory operating procedures of the transportation and distribution of drugs.

According to the verbal consultation with the National Medical Products Administration conducted by our PRC legal advisors and the Joint Sponsors on July 11, 2022, (i) currently, there is no further official explanation or interpretation on "directly involved in online drug sales activities" as stipulated in Articles 83 of the Draft Implementation Regulations, and it remains unclear on the subsequent revisions of this regulation, and (ii) assuming the Draft Implementation Regulations is adopted in its current form and the latter possible interpretation as described below is applied, our business shall be in compliance with Article 83 of the Draft Implementation Regulations with the operation adjustments as proposed below. Our PRC Legal Advisors confirmed that the National Medical Products Administration is the competent authority and its officer who accepted the consultation is the competent person to provide the foregoing confirmation and interpretation.

According to our PRC Legal Advisors, "directly involved in online drug sales activities" as stipulated in Articles 83 of the Draft Implementation Regulations may have two possible interpretations: (i) a group may use separate entities to conduct third-party platform business and online drug sales activities respectively; and (ii) a group shall not act as a third-party platform provider and conduct online drug sales activities at the same time, even using separate entities. Given that our third party platform business and self operated online drug sales business are currently conducted by separate entities, if the former interpretation is applied when the Draft Implementation Regulations is formally adopted, according to our PRC Legal Advisors, our businesses do not violate Article 83 of the Draft Implementation Regulations (if promulgated in its current form), including our cooperation with third-party partner pharmacies on our self-operated online platforms and our sales through our self-operated online platforms supported by our subsidiaries including our own smart pharmacies. If the latter interpretation is applied when the Draft Implementation Regulations is formally adopted, we will (a) cease cooperation with third-party partner pharmacies' operating on self-operated online platforms and cease operating our self-operated online platforms as third-party platform providers; and (b) utilize our self-operated online platforms only for our sales through our self-operated online platforms supported by our subsidiaries including our own smart pharmacies. Our PRC Legal Advisors are of the view that, if the latter interpretation is applied, and assuming we adjust the operation of our self-operated online platforms as the aforementioned, our self-operated online platforms will not be regarded as third-party platform providers, and therefore our sales through our self-operated online platforms supported by our subsidiaries including our own smart pharmacies will not violate Article 83 of the Draft Implementation Regulations (if promulgated in its current form). Revenue generated from the collaboration with partner pharmacies was immaterial compared to our total revenue during the Track Record Period, which was RMB10.4 million, RMB2.7 million, RMB4.9 million, RMB2.8 million and RMB1.0 million, respectively, representing 1.8%, 0.2%, 0.2%, 0.1% and 0.1% of our total revenue in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022.

As advised by our PRC Legal Advisors, our Directors are of the view that our sales through third-party online platforms will not be materially affected by Article 83 of the Draft Implementation Regulations (if promulgated in its current form), since (i) according to Frost & Sullivan, the key third-party online platforms we cooperate with primarily engage in the platform business and operate as "third-party platform providers", such as hosting our online stores and supporting our drug sales activities, and our PRC Legal advisors are of the view that, Article 83 of the Draft Implementation Regulations (if promulgated in its current form) do not prevent third-party online platforms from engaging in the platform business, and (ii) we believe most of the third-party online platforms we cooperate with would continue operating as "third-party platform providers" on the basis that the majority of revenue of the key third-party online platforms we cooperate with is from third-party party platform business related business, according to Frost & Sullivan. If any of them choose to cease operating as a "third-party platform provider" and focus on its own online drug sales activities in order to comply with the Draft Implementation Regulations (if promulgated in its current form and latter interpretation is applied), we have sufficient flexibilities to cooperate with other third-party online platforms in the market only operating as "third-party platform providers", according to Frost & Sullivan. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, revenue from third-party online platforms amounted to RMB186.8 million, RMB506.9 million, RMB1,075.9 million, RMB1,795.4 million, RMB369.0 million and RMB517.5 million, respectively, accounting for 48.0%, 55.9%, 63.5%, 69.5%, 68.9% and 72.6% of our revenue from online direct sales of the corresponding periods, respectively.

Furthermore, according to our PRC Legal Advisors, our sales under the business distribution channel do not violate Article 83 of the Draft Implementation Regulations (if promulgated in its current form). However, if the Draft Implementation Regulations is promulgated in its current form and the latter interpretation is applied, in a worst-case scenario, our sales under the business distribution channel may be indirectly affected since some of our customers under the business distribution channel may be affected if they are deemed as third-party platform providers while being directly involved in online drug sales activities. If they decide to cease their self-operated business directly involving in online drug sales activities for the purpose of compliance with the laws and regulations, they may cease their procurements from us under our distribution channel for the drugs distributed by their self-operated business. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, the revenue generated from the sales of OTC drugs and prescription drugs (which might be affected by the Draft Implementation Regulations if it is implemented in its current form and the latter interpretation is applied) sold by us under the business distribution channel was RMB14.1 million, RMB27.3 million, RMB54.4 million, RMB101.6 million and RMB21.3 million, representing 2.4%, 2.1%, 2.4%, 2.7% and 2.2% of our total revenue.

Therefore, based on our PRC Legal Advisors' analysis above, our Directors and our PRC Legal Advisors are of the view that the Draft Implementation Regulations, if implemented in its current form, would not have a material adverse impact on our business, since the operation of self-operated online platforms (as adjusted to comply with relevant laws and regulations), the operation of our pharmacy network, our cooperation with delivery partners, and our pharmacist attendance at our smart pharmacies are in compliance with the Draft Implementation Regulations in all material aspects if promulgated in its current form. Based on the independent due diligence conducted and having considered the views and basis of the Directors and the PRC Legal Advisors as above, as of the date of this document, the Joint Sponsors are of the view that the Draft Implementation Regulations, if implemented in its current form, will not have a material adverse impact on the Group's business. However, substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation. We will closely monitor and assess any development in the rule-making process.

Regulatory Development on Internet Medical Treatment

On February 8, 2022, the NHC promulgated the Rules for Regulation of Internet Medical Treatment Trial (the "**NHC Paper**"), which further clarifies the boundaries and rules of internet medical treatment from multiple dimensions. According to the NHC Paper, medical institutions conducting internet medical treatment activities should actively interface with and accept supervision of the provincial supervision platforms, and set up a special department and establish the corresponding management system to manage matters such as medical quality and medical safety. The medical practitioners carrying out internet medical treatment activities are required to undergo real-name authentication, and no person, artificial intelligence software, etc. other than the physician himself or herself may impersonate or replace the physician in carrying out medical treatment activities. If the medical practitioners conduct internet consultation activities at an Internet hospital other than their main place of practice, they should register or record their practice in accordance with the relevant requirements for Multi-site Practice Filing in the location of that Internet hospital. Patients are required to provide medical records with a clear diagnosis and the receiving physician will determine whether they meet the conditions for follow-up consultation. The entire process of internet medical treatment should be traceable, and the data interface should be open to the provincial supervision platform. Furthermore, the relevant data should be kept for no less than 15 years. In addition, if medical institutions carry out drug distribution independently or entrust a third party, the relevant agreements and prescription flow information should be traceable, and the data interface should be open to the provincial supervision platform.

As advised by our independent internal control consultant, there is no material deficiencies identified for the internal control measures in effect to fulfill the requirements under the NHC Paper. Relevant internal control measures and procedures have been established to govern internet medical treatment business, which have been approved by our management and circulated to the relevant staff to follow up. Our deputy general manager has been assigned to monitor the operation and compliance of internet medical treatment business. Self-check has been conducted regularly to ensure that the services provided, information and platform management and etc. comply with relevant rules and regulations. Besides, assessment has also been performed for the doctors and training has also been provided to ensure that their practice complies with relevant rules and regulations. Mechanism has also been established for whistleblowing and reporting of non-compliance issues and accidents. As such, we believe that our current internal control measures in effect have already fully addressed the requirements under the NHC Paper, and there will be no material impact of the NHC Paper on the our operations and financial position.

In terms of future plan, according to our operational and information system risk management, we have adopted strict internal policies and procedures to ensure compliance of our business operations with relevant laws and regulations, and our compliance and legal department is responsible for monitoring the updates on the NHC Paper and is responsible for reviewing and updating our internal policies and procedures accordingly so that such internal policies and procedures and their implementation are effective and sufficient for the compliance of the NHC Paper.

Regulatory Development on Cybersecurity and Data Privacy

On June 10, 2021, the Standing Committee of the National People's Congress promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which has taken effect in September 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security.

On December 28, 2021, the CAC published the Revised Measures for Cybersecurity Review (the "Revised CAC Measures") (《網絡安全審查辦法》), which became effective on February 15, 2022, and superseded the Measures for Cybersecurity Review promulgated on April 13, 2020. The Revised CAC Measures provides that a critical information infrastructure operator purchasing network products and services, and platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. The Revised CAC Measures also provides that a platform operator with more than one million users' personal information aiming to list abroad must apply for cybersecurity review. On November 14, 2021, the CAC promulgated the Network Data Security Management Regulations (the "Draft for Comments", (《網絡數據安全管理條例(徵求意見稿)》), which provides that data processors listing in Hong Kong which affects or may affect national security shall apply for cybersecurity review.

Our Directors and our PRC Legal Advisors are of the view that the Revised CAC Measures and the Draft for Comments, if implemented in its current form, would not have a material adverse impact on our business operations or the proposed [**REDACTED**] on the basis that (i) we have implemented a comprehensive set of internal policies, procedures, and measures to ensure our compliance practice as disclosed in "Business – Cybersecurity, Data Privacy and Protection," (ii) as of the Latest Practicable Date, we had not been subject to any material investigation, inquiry, or sanction in relation to cybersecurity or data security or any cybersecurity review from the CAC, or any other relevant government authority (iii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other material penalties due to non-compliance with cybersecurity or data security laws or regulations, (iv) as advised by our PRC Legal Advisors, we had not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the Revised CAC Measures during the Track Record Period and up to the Latest Practicable Date, (v) as advised by our PRC Legal Advisors, given that Hong Kong does not fall within the definition of "abroad" in the provision, although we possess more than one million users' personal information, the requirement is not applicable to us given that we are seeking a [**REDACTED**] in Hong Kong instead of abroad, and (vi) we will closely monitor and assess further regulatory developments regarding cybersecurity and data security laws and comply with the latest regulatory requirements. According to the verbal consultation conducted by our PRC legal advisors on April 26, 2022 with the China Cybersecurity Review Technology and Certification Center, which is authorized by the CAC to accept public consultation and cybersecurity review submissions, the Draft for Comments have not been formally adopted, and our [**REDACTED**] in Hong Kong does not fall within the definition of "abroad" in the provision of the Measures for Cybersecurity Review. Therefore, we are not required to apply for cybersecurity review currently. While the scope of critical information infrastructure operators and the scope of network products or services or data processing activities that affect or may affect national security remain unclear and are subject to interpretation by relevant government authorities and we cannot preclude the possibilities that new regulations or rules in the future may impose additional compliance requirements on us, we have been closely monitoring the applicable regulatory updates and the aforementioned view of us and our PRC Legal Advisors that we had not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the Revised CAC Measures is on the basis that, during the Track Record Period and as of the Latest Practicable Date, (i) we had implemented comprehensive data collection, retention, and safeguard procedures, (ii) we had not experienced any data breach or violation of data security laws and regulations that has a material adverse effect on our business operations, (iii) we had not been subject to any material investigation, inquiry, or sanction relating to cybersecurity or data security or any cybersecurity review from the CAC, the CSRC, or any other relevant government authority, and (iv) we had not been notified by any authorities of being classified as a critical information infrastructure operator.

Regulatory Development on Foreign Investment

On December 27, 2021 the MOFCOM and the NDRC jointly promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**2021 Negative List**", which became effective on January 1, 2022. According to the 2021 Negative List, the value added telecommunications services (excluding e-commerce business, domestic multi-party communications, store-and-forward and call centers) fall into the "restricted" category, and medical institutions are limited to the form of joint venture. The 2021 Negative List lacks clear guidance on the categorization of operation of "Internet hospital services" in terms of foreign investment restriction.

Regulatory Development on Overseas Listing

On December 24, 2021, the CSRC published the draft Administrative Provisions of the State Council on the Overseas Issuance and Listing of Securities 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(草稿徵求意見稿)》) (the "**Draft Provisions**") and the draft Measures for the Overseas Issuance and Listing of Securities Record-filings by Domestic Companies (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the "**Draft Measures**") (together with the Draft Provisions, "**the Drafts**"), which are open for public comments until January 23, 2022. Pursuant to the Drafts, PRC domestic companies that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. Overseas offerings and listings that are prohibited by specific laws and regulations, constitute threat to or endanger national security, involve material ownership disputes, the PRC domestic companies, their controlling shareholder or actual controller involving in certain criminal offence, or directors, supervisors and senior management of the issuer involving in certain criminal offence or administrative penalties, among other circumstances, are explicitly forbidden. Failure to complete the filing under the Draft Provisions may subject a PRC domestic company to a warning or a fine of RMB1 million to RMB10 million. If the circumstances are serious, the PRC domestic company may be ordered to suspend its business or suspend its business until rectification, or its permits or businesses license may be revoked. However, as of the date of this document, the Drafts were released for public comments only and the final version and effective date of such regulations are subject to substantial uncertainties.

At the press conference held for these Drafts on December 24, 2021, officials from the CSRC clarified that implementation of the Drafts will follow the nonretroactive principle, which means that only the initial public offerings by China-based companies and additional public offerings by existing overseas-listed China-based companies to be conducted after the effectiveness of the foregoing regulations will be required to fulfill the filing procedure. In addition, the new regulations and rules will allow a proper transition period for existing overseas listed China-based companies that do not have an imminent plan for public offerings to comply with the filing requirement in due course. Further, the officials from the CSRC confirmed that companies with VIE structure that comply with the applicable PRC laws and regulations can still conduct overseas offering and listing upon the completion of the requisite procedures.

As advised by our PRC Legal Advisers, our [**REDACTED**] is currently not subject to any filing procedures with, or approval from, the CSRC. As of the date of this document, we had not received any inquiries, notices, warnings, or sanctions regarding the [**REDACTED**] or our corporate structure from the CSRC or any other PRC government authorities in terms of compliance with the proposed filing requirement under the new regulatory regime, if enacted. Therefore, if the Drafts became effective in their current form, other than the uncertainties of the filing procedures which may be further clarified in the final version of the Drafts and/or their implementation rules, our Directors and our PRC Legal Advisors believe the Drafts will not impact the our business operations, our financial performance, the Contractual Arrangements or our proposed [**REDACTED**] in Hong Kong and do not foresee any impediment for us to comply with the Drafts in any material respects.

Based on the foregoing and having discussed with the management of the Company and the PRC Legal Advisers on the aforementioned changes in laws and recent regulatory developments, nothing has come to the attention of the Joint Sponsors that would cause them to disagree with the views of the Directors and of PRC Legal Advisers as above. We will maintain ongoing communication with government authorities regarding the latest regulatory development and requirements of new regulations and timely implement necessary measures.

IMPACT OF COVID-19 ON OUR OPERATIONS

Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. In response, China, together with other countries and regions across the world, has imposed widespread lockdowns, closure of workplaces and restrictions on mobility and travel to contain the spread of the virus. By approximately the fourth quarter of 2020, almost all cities in China had eased or lifted domestic travel restrictions and resumed normal social activities, business, work and production.

We prioritize the health conditions of our employees in all our business operations. We have employed various measures to mitigate the impact of the COVID-19 outbreak on our business operations.

Despite the impacts of the COVID-19 outbreak on the general economy, we still managed to achieve improved financial performance in the year ended December 31, 2020, which was primarily due to (i) increasing sales of disinfection-related products and personal protective materials, including masks, wipes, hand sanitizers, medical gloves, safety glasses, thermometers, and disinfection products, during the COVID-19 outbreak, which may not recur in the future; the revenue contribution from sales of disinfection-related products and personal protective materials in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022 was RMB6.8 million, RMB17.0 million, RMB175.3 million, RMB44.1 million, RMB12.4 million and RMB50.9 million, respectively, accounting for 1.2%, 1.3%, 7.9%, 1.2%, 1.6% and 5.2% of our revenue of the corresponding periods, respectively, and the gross profit from sales of disinfection-related products and personal protective materials during the same period amounted to RMB3.7 million, RMB7.2 million, RMB41.3 million, RMB17.6 million, RMB5.0 million and RMB21.8 million, respectively, corresponding to gross profit margin of 54.1%, 42.4%, 23.6%, 39.8%, 40.1% and 42.7%, respectively; and (ii) lower level of fulfillment expenses as a result of a series of policies regarding reduction and exemption of enterprise's social insurance contributions promulgated by the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration, which may not recur in the future; In 2020, our fulfillment expenses was reduced by RMB7.0 million with the benefit of such policies, accounting for 2.5% of the actual fulfillment expenses in the same period. Although conditions have substantially improved since the second half of 2020 in China, there has been an increasing number of COVID-19 cases around the world due to the Delta and Omicron variants. With the sustained implementation of the disease prevention and containment policies and the development of vaccines, it is still uncertain whether the COVID-19 outbreak can continue to be largely contained in China and what further impact COVID-19 will have on our business or our industry.

Since the beginning of 2022, another wave of COVID-19 broke out in the PRC, which caused surging numbers of COVID-19 cases in certain regions, such as Shenzhen, Guangzhou, Shanghai and Beijing, and local governments have taken certain lock-down measures to prevent further spread of COVID-19. Some of our smart pharmacies temporarily ceased operation as required by local authorities and were approved to re-open after relevant bans were lifted by local governments. Our overall operational and financial position as of and for the three months ended March 31, 2022 were not materially adversely affected by this recent COVID-19 outbreak since there were no large-scale and prolonged lock-down measures implemented during the same period. However, since the local authorities in Shanghai and other regions have imposed strict and large-scale lock-down measures since the beginning of April 2022, our operational and financial position may be affected to some extent in particular operating cities. Some of our smart pharmacies in Shanghai and other regions had ceased operation under relevant lock-down measures, causing the decrease of the sales order volume of our smart pharmacies related business (including (A) our online-to-offline model under online direct sales channel, and (B) offline retail channel for walk-in users, both supported by our smart pharmacies), which was primarily due to the disruption on logistics imposed by the lock-down measures. For the details of the impact of the resurgence of COVID-19 on our operations in Shanghai and other regions, see "Business — Impacts of the COVID-19 Outbreak". Meanwhile, we have been seeking measures to mitigate any potential adverse impact on our operational and financial positions. As of the date of this document, most of our smart pharmacies in Shanghai and other regions have resumed normal operation, and we believe the resurgence of COVID-19 does not materially affect our overall business operation and financial position.

In the case of further spread of COVID-19, our business may be disturbed by actions adopted by the government authorities. See "Risk Factors — Risks relating to Our Business and Industry — We face risks related to health epidemics, which could significantly disrupt our business, financial condition and results of operations."

[**REDACTED**] STATISTICS

All statistics in the following table are based on the assumptions that (i) the [**REDACTED**] has been completed and [**REDACTED**] are issued pursuant to the [**REDACTED**]; and (ii) [**REDACTED**] Shares are issued and outstanding following the completion of the [**REDACTED**].

	Based on an [REDACTED] of HK$[REDACTED] per Share
Market [**REDACTED**] of our Shares(1)	HK$[**REDACTED**] million
Unaudited [**REDACTED**] adjusted consolidated tangible assets less liabilities per Share(2)	HK$[**REDACTED**]

Notes:

(1) The calculation of market [**REDACTED**] is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**].

(2) The unaudited [**REDACTED**] adjusted consolidated tangible assets less liabilities per Share as of March 31, 2022 is calculated after making the adjustments referred to in Appendix II and on the basis that [**REDACTED**] Shares are expected to be in issue immediately upon completion of the [**REDACTED**].

As of March 31, 2022, the carrying amount of the 677,142,307 Preferred Shares was RMB4,931,565,000 and recognized as financial liabilities. Such Preferred Shares shall automatically be convert without the payment of any additional consideration into ordinary shares upon the completion of the [**REDACTED**].

Had the 677,142,307 Preferred Shares of the Company to be converted been assumed to convert as of March 31, 2022, the unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2022 per Share would have been calculated based on [**REDACTED**] Shares. The unaudited [**REDACTED**] adjusted consolidated tangible assets less liabilities of the Group attributable to owners of the Company would have increased from approximately RMB[**REDACTED**] to approximately RMB[**REDACTED**] based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]. The unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per [**REDACTED**] would have increased to RMB[**REDACTED**] (HK$[**REDACTED**]) based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**].

[REDACTED] AND [REDACTED]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, the aggregate [**REDACTED**] and fees, together with the Stock Exchange [**REDACTED**], SFC transaction levy, FRC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the [**REDACTED**], which are payable by us are estimated to amount in aggregate to be approximately RMB[**REDACTED**] million, accounting for [**REDACTED**] of gross [**REDACTED**] from the [**REDACTED**], of which RMB[**REDACTED**] million of [**REDACTED**] and [**REDACTED**] has been incurred during the Track Record Period, approximately RMB[**REDACTED**] million is expected to be charged to profit or loss in 2022, and approximately RMB[**REDACTED**] million is directly attributable to the [**REDACTED**] and [**REDACTED**] of our [**REDACTED**] and will be deducted from equity upon the [**REDACTED**]. By nature, our [**REDACTED**] are composed of (i) [**REDACTED**] of approximately RMB[**REDACTED**] million, and (ii) non-[**REDACTED**] related expenses of approximately RMB[**REDACTED**] million, which consist of fees and expenses of legal advisors and Reporting Accountant of approximately RMB[**REDACTED**] million and other fees and expenses of approximately RMB[**REDACTED**] million.