

**Medbanks**  
思 派 健 康 科 技

# Sipai Health Technology Co., Ltd.

## 思派健康科技有限公司

*(A company incorporated in the Cayman Islands with limited liability)*

Stock code: 0314



## GLOBAL OFFERING

Joint Sponsors, Sponsor-Overall Coordinators, Overall Coordinators,  
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley

 海通國際 HAITONG

Joint Lead Manager

 富途證券

## IMPORTANT

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



# Sipai Health Technology Co., Ltd. 思派健康科技有限公司

(A company incorporated in the Cayman Islands with limited liability)

## GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 9,919,400 Offer Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 992,000 Offer Shares (subject to reallocation)
Number of International Offer Shares	: 8,927,400 Offer Shares (subject to reallocation and the Over-allotment Option)
Offer Price	: HK\$18.60 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal value	: US\$0.0001 per Share
Stock code	: 0314

*Joint Sponsors, Sponsor-Overall Coordinators, Overall Coordinators, Joint Global Coordinators,  
Joint Bookrunners and Joint Lead Managers*

**Morgan Stanley**



*Joint Lead Manager*



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

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

The Offer Price will be HK\$18.60 per Offer Share. Applicants for Hong Kong Offer Shares are required to pay, on application, the offer price of HK\$18.60 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and AFRC transaction levy of 0.00015%.

**The Overall Coordinators may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. See “Structure of the Global Offering” and “How to apply for Hong Kong Offer Shares” for further details.**

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (for themselves and on behalf of the Capital Market Intermediaries and the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See “Underwriting—Underwriting Arrangements—Hong Kong Public Offering—Hong Kong Underwriting Agreement—Grounds for Termination” for further details.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in “Risk factors”.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered or sold within or to the United States, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S.

### ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.medbankshealthtech.com](http://www.medbankshealthtech.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

---

## IMPORTANT

---

### **IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS**

**We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of the Prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.**

**The Prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our website at [www.medbankshealthtech.com](http://www.medbankshealthtech.com). If you require a printed copy of the Prospectus, you may download and print from the website addresses above.**

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)) or at [www.hkeipo.hk](http://www.hkeipo.hk); or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
  - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the **CCASS Internet System (<https://ip.ccass.com>)** or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of the Prospectus are identical to the printed Prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

**If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that the Prospectus is available online at the website addresses above.**

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in the Prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

---

## IMPORTANT

---

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>	<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>	<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>	<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>
	<u>HK\$</u>		<u>HK\$</u>		<u>HK\$</u>		<u>HK\$</u>
200	3,757.50	3,000	56,362.38	40,000	751,498.41	180,000	3,381,742.82
400	7,514.98	4,000	75,149.84	50,000	939,373.01	200,000	3,757,492.02
600	11,272.48	5,000	93,937.30	60,000	1,127,247.60	250,000	4,696,865.03
800	15,029.96	6,000	112,724.76	70,000	1,315,122.20	300,000	5,636,238.03
1,000	18,787.46	7,000	131,512.23	80,000	1,502,996.81	350,000	6,575,611.04
1,200	22,544.95	8,000	150,299.68	90,000	1,690,871.41	400,000	7,514,984.04
1,400	26,302.44	9,000	169,087.14	100,000	1,878,746.01	450,000	8,454,357.05
1,600	30,059.93	10,000	187,874.60	120,000	2,254,495.21	496,000 <sup>(1)</sup>	9,318,580.21
1,800	33,817.42	20,000	375,749.20	140,000	2,630,244.42		
2,000	37,574.92	30,000	563,623.81	160,000	3,005,993.61		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

---

## EXPECTED TIMETABLE<sup>(1)</sup>

---

Hong Kong Public Offering commences ..... 9:00 a.m. on Monday,  
December 12, 2022

Latest time for completing electronic applications under the **HK eIPO White Form** service through one of the below ways:<sup>(2)</sup>

(1) the **IPO App**, which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)

(2) the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) ..... 11:30 a.m. on Thursday,  
December 15, 2022

Application lists open<sup>(3)</sup> ..... 11:45 a.m. on Thursday,  
December 15, 2022

Latest time for (a) completing payment for the **HK eIPO White Form** applications by effecting Internet banking transfer(s) or PPS payment transfer(s) and (b) **giving electronic application instructions** to HKSCC<sup>(4)</sup> ..... 12:00 noon on Thursday,  
December 15, 2022

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close<sup>(3)</sup> ..... 12:00 noon on Thursday,  
December 15, 2022

Announcement of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.medbankshealthtech.com](http://www.medbankshealthtech.com)<sup>(5)</sup> on or before<sup>(9)</sup> .. Thursday, December 22, 2022

Results of allocations in the Hong Kong Public Offering (with successful applicants’ identification document numbers, where appropriate) to be available through a variety of channels as described in “How to Apply for Hong Kong Offer Shares—D. Publication of Results” in this prospectus<sup>(9)</sup> ..... Thursday, December 22, 2022

Results of allocations in the Hong Kong Public Offering will be available at the “IPO Results” function in the **IPO App** or at [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) (or [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result)) with a “search by ID” function from<sup>(9)</sup> ..... Thursday, December 22, 2022

Dispatch/collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before<sup>(6)(8)(9)</sup> ..... Thursday, December 22, 2022

---

## EXPECTED TIMETABLE<sup>(1)</sup>

---

Dispatch/collection of refund cheques and <b>HK eIPO White Form</b> e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before <sup>(7)(8)(9)</sup> .....	Thursday, December 22, 2022
Dealings in the Shares on the Stock Exchange expected to commence <sup>(9)</sup> .....	at 9:00 a.m. on Friday, December 23, 2022

*Notes:*

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 15, 2022, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares—C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to “How to Apply for Hong Kong Offer Shares—A. Applications for the Hong Kong Offer Shares—6. Applying through the **CCASS EIPO Service**” in this prospectus.
- (5) None of the website or any of the information contained on the website forms part of this prospectus.
- (6) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in “Underwriting—Underwriting Arrangements—Hong Kong Public Offering—Grounds for Termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.
- (7) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering. Part of the applicant’s identification document number provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s identification document number before encashment of the refund cheque. Inaccurate completion of an applicant’s identification document number may invalidate or delay encashment of the refund cheque. Further information is set out in “How to Apply for Hong Kong Offer Shares” in this prospectus. Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through a single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques in favor of the applicant (or, in the case of joint applications, the first-named applicant), by ordinary post at their own risk.
- (8) Applicants who have applied through the **HK eIPO White Form** service for 300,000 or more Hong Kong Offer Shares may collect any refund cheques and/or Share certificates in person from our Company’s Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, December 22, 2022 or such other date as notified by our Company on the website of our Company at [www.medbankshealthtech.com](http://www.medbankshealthtech.com) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.  
  
Applicants who have applied for Hong Kong Offer Shares through the **CCASS EIPO** service should refer to “How to Apply for Hong Kong Offer Shares—G. Despatch/Collection of Share Certificates/e-Auto Refund Payment Instructions/Refund Checks—Personal Collection—If you apply through the **CCASS EIPO** service” in this prospectus for details.  
  
Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.  
  
Applicants who have applied for less than 300,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.  
  
Further information is set out in “How to Apply for Hong Kong Offer Shares—F. Refund of Application Monies” and “How to Apply for Hong Kong Offer Shares—G. Despatch/Collection of Share Certificates/e-Auto Refund Payment Instructions/Refund Checks” in this prospectus.
- (9) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Monday, December 12, 2022 to Friday, December 23, 2022, then the day of (i) announcement of results of allocations in the

---

## EXPECTED TIMETABLE<sup>(1)</sup>

---

Hong Kong Public Offering; (ii) dispatch of Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

**The above expected timetable is a summary only. You should refer to “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.**

---

## CONTENTS

---

### IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

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

*You should rely only on the information contained in this prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representations not contained or made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives, or any other parties involved in the Global Offering. Information contained on our website [www.medbankshealthtech.com](http://www.medbankshealthtech.com) does not form part of this prospectus.*

	<u>Page</u>
<b>Expected Timetable</b> .....	i
<b>Contents</b> .....	iv
<b>Summary</b> .....	1
<b>Definitions</b> .....	27
<b>Forward-looking Statements</b> .....	36
<b>Risk Factors</b> .....	37
<b>Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance</b> .....	90
<b>Information about this Prospectus and the Global Offering</b> .....	99
<b>Directors and Parties Involved in the Global Offering</b> .....	102
<b>Corporate Information</b> .....	106
<b>Industry Overview</b> .....	109
<b>History, Reorganization and Corporate Structure</b> .....	125
<b>Business</b> .....	157
<b>Contractual Arrangements</b> .....	236
<b>Regulatory Overview</b> .....	251



---

## CONTENTS

---

	<u>Page</u>
<b>Connected Transactions</b> .....	273
<b>Directors and Senior Management</b> .....	281
<b>Substantial Shareholders</b> .....	291
<b>Share Capital</b> .....	294
<b>Financial Information</b> .....	296
<b>Future Plans and Use of Proceeds</b> .....	346
<b>Underwriting</b> .....	348
<b>Structure of the Global Offering</b> .....	358
<b>How to Apply for Hong Kong Offer Shares</b> .....	366
<b>Appendix I Accountants' Report</b> .....	I-1
<b>Appendix II Unaudited Pro Forma Financial Information</b> .....	II-1
<b>Appendix III Summary of the Constitution of our Company and Cayman Companies Act</b> .....	III-1
<b>Appendix IV Statutory and General Information</b> .....	IV-1
<b>Appendix V Documents Delivered to the Registrar of Companies and on Display</b> .....	V-1

---

## SUMMARY

---

*This summary aims to give you an overview of the information contained in this prospectus. It does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

#### Our Services

##### *Specialty Pharmacy Business*

Our Specialty Pharmacy Business line consists of specialty pharmacy and value-add professional pharmacist service, focusing on specialty medicines for the treatment of oncology and other critical diseases. Patients can access innovative medications from us and receive pharmacist services, such as medication guidance, AE consultation, and medication delivery. We also built up the first and only nationwide specialty medicine management platform, providing follow-up assessment service under a unified system, differentiating us from our peers. 76 of our specialty pharmacies are designated pharmacies for social medical insurance, accounting for approximately 74% of all our specialty pharmacies. In addition, 47 of our specialty pharmacies have obtained the social medical insurance “dual-channel” qualification for major diseases (“大病醫保雙通道資質”) from local health security administrations, allowing patients to reimburse their expenses for medicines that are previously only covered when purchased at public hospitals. Our specialty pharmacies also provide direct billing with major insurance carriers, offering additional payment solutions to patients.

As of June 30, 2022, we operated 103 specialty pharmacies across all provincial administrative regions in mainland China except Xizang and Qinghai. Our pharmacies specialize in prescription medicines for cancer and other critical diseases. We provide a wide selection of specialty medicines, including innovative drugs newly introduced to the market. For example, we offer a full line of PD-1 drugs currently approved to commercialize in China. Our professional pharmacist services ensure patients to have better medication adherence and treatment efficacy.

##### *Physician Research Assistance*

In our Physician Research Assistance business line, we engage in SMO business to support pharmaceutical companies in their drug R&D process from phase I to phase IV clinical trials, and we also offer Real-World Study (“RWS”) service with respect to innovative drugs after their market launch. Currently, the SMO business contributes the majority of the Physician Research Assistance revenue. Our in-depth experience and professional expertise in assisting clinical trials for oncology drugs differentiate us from our peers. As of June 30, 2022, we had cumulatively served 289 clients across trial sites in 87 cities. Notably, we have achieved 100% coverage of 27 provincial specialized oncology hospitals and five national cancer treatment centers. As of June 30, 2022, we had completed 99 SMO projects, and 936 SMO projects were ongoing. We proudly serve all top ten public pharmaceutical companies in China that engage in R&D of innovative drugs. During the Track Record Period, we achieved a 100% client retention rate with respect to our top ten SMO clients, as measured by revenue during the same period of time. Over 95% of our SMO clients engage in R&D of oncology drugs and typically contract our services for three to five years.

---

## SUMMARY

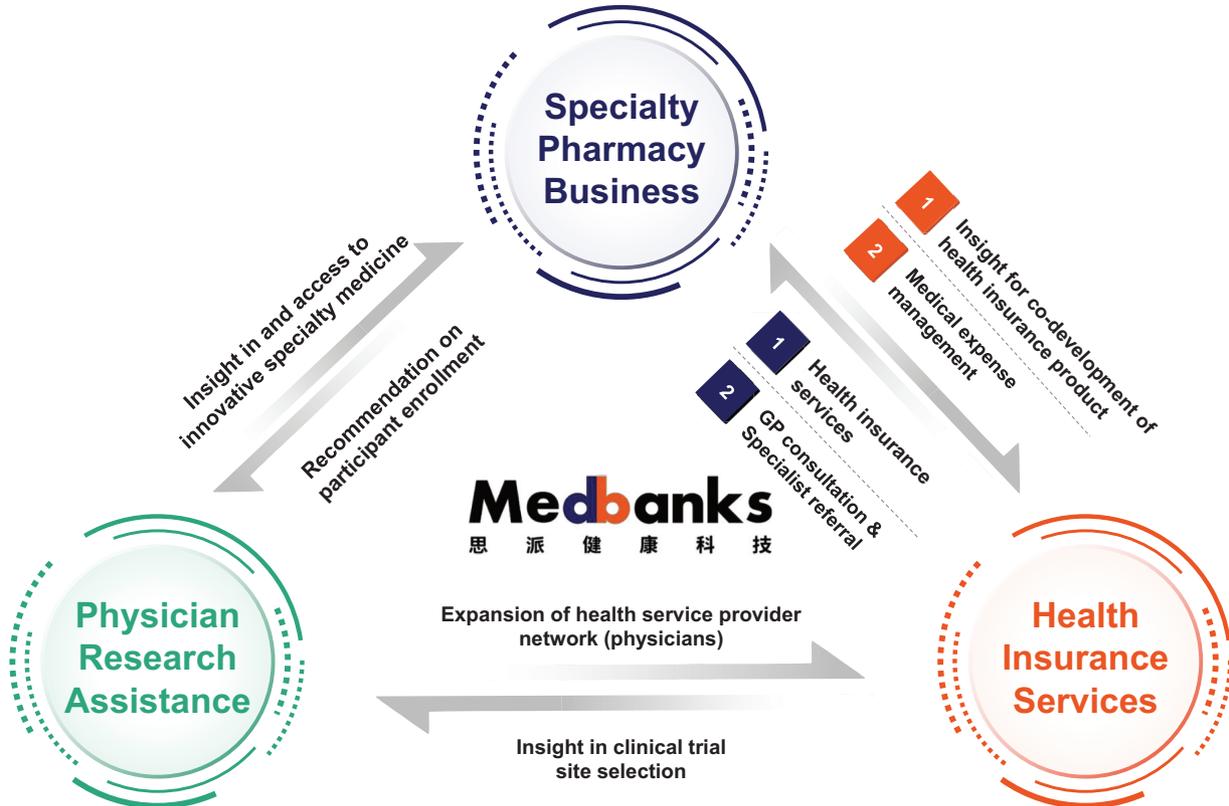
---

### *Health Insurance Services*

As of June 30, 2022, our health service provider network connected over 1,200 Class III Grade A hospitals, 55,000 doctors, and 500 physical examination institutions in over 150 major cities across China. Our robust health service provider network, together with our Specialty Pharmacy Business, provides our members with high quality health management services such as preventive care, GP service, specialist referral, online hospital and overseas healthcare network. As of June 30, 2022, we served approximately 23.9 million individual members and 876 enterprise clients.

Leveraging our data insights and actuarial capabilities, we have co-developed differentiated health insurance plans with major insurance carriers. Hui Min Insurance serves as a supplement to the national basic medical insurance, offering additional coverage for critical diseases, medical services, and specialty medicines at a price affordable to the general population. In addition, Enterprise Health Plans provide a more comprehensive and advanced protection to employers and their employees, offering flexible quality health and disease management services.

### **Correlation and Interaction Among Our Three Business Lines**



We have built a self-reinforcing ecosystem around our partners and three highly synergistic business lines. Our Specialty Pharmacy Business and Physician Research Assistance businesses enable us to have an unparalleled understanding of innovative drugs and allow doctors in our Health Insurance Services to stay at the forefront of treatment options. Leveraging our extensive health service provider network and deep understanding of physicians' particular needs in scientific research, we assist pharmaceutical companies on site selection and participant enrollment. Referrals from our health service provider network served by our Physician Research Assistance and Health Insurance Services are an important source of patients to our Specialty Pharmacy Business, including our specialty pharmacies. Our rich medication selection offers patients advanced treatment options, accompanied by

---

## SUMMARY

---

our professional pharmacist service that drives better medication adherence and enhances treatment paradigm efficacy. Lastly, our health insurance plans offer additional protection to members when they face critical diseases, such as cancer, while offering growth opportunities to our commercial insurance partners.

### **Our Value Propositions**

#### ***Value Propositions to Our Members and Patients***

- *Access to Health Management:* We provide preventative care services, such as physical examination and general practice, to help our members identify any early signals for health issues so that critical diseases are more likely to be prevented or cured at an early stage. Once a member is diagnosed with critical diseases, we provide him access to over 55,000 doctors to receive efficient and effective treatment, particularly for cancers. Our health service provider network allows our members to locate the right medical professional for a precise treatment in an efficient manner.
- *Access to Innovative Drugs and Pharmacist Services:* Thanks to our deep collaboration with pharmaceutical companies, we have the access to innovative drugs and can provide patients advanced medicines for the treatment of oncology and other critical diseases. Our SMO business provides opportunities for patients to participate in clinical trials for innovative drugs. In addition, our professional pharmacist service provides our members access to medication guidance and adverse event (“AE”) consultation. Meanwhile, we conduct follow-up assessment to ensure medication compliance, enhancing the efficacy of treatment paradigm to the extent possible.
- *Flexible Payment Options:* 76 of our specialty pharmacies are designated pharmacies for social medical insurance, accounting for approximately 74% of all our specialty pharmacies. In addition, 47 of our specialty pharmacies have obtained the social medical insurance “dual-channel” qualification for major diseases (“大病醫保雙通道資質”) from local health security administrations, allowing patients to reimburse their expenses for medicines that are previously only covered when purchased at public hospitals. Additionally, we offer diversified health insurance plans to our members, from supplemental insurance products for basic medical insurance, tailored products for specific diseases to premium products with extensive coverage.

#### ***Value Propositions to Doctors***

- *Ease of Patient Management:* We see ourselves as assistants to doctors. Our Health Insurance Services offers members medical navigation assistance, and our Specialty Pharmacy Business service offers patients post-hospital medication management, follow-up assessment and AE consultation. These offerings significantly improve the efficiency and productivity of doctors in their outpatient and inpatient practices.
- *Efficiency in Research:* We assist physicians on various non-clinical matters to enhance the overall efficiency and compliance of clinical trials. Meanwhile, we help physicians participate in clinical trials of innovative drugs to stay at the forefront of medical research.

#### ***Value Propositions to Pharmaceutical Companies***

- *Acceleration of Drug Development and Commercialization:* Leveraging our medical expertise and data insights in oncology and other critical diseases, our SMO service assists pharmaceutical companies in clinical trial site selection and participant enrollment, effectively expediting their drug development and commercialization.

---

## SUMMARY

---

- *Market Access:* Serving patients in treatment at leading hospitals, especially oncology hospitals, our nationwide specialty pharmacy network assists pharmaceutical companies to launch new products and reach the market efficiently.
- *Patient Management:* Through our nationwide specialty pharmacy network and health service provider network, pharmaceutical companies are able to deliver effective patient management service, particularly AE consultation required for specialty medicines.

### *Value Propositions to Insurance Carriers*

- *Tailored Product Co-development:* Leveraging our proprietary data insights, we co-developed products with insurance carriers to better meet consumers' unique needs. For example, we have launched Hui Min Insurance (惠民保) in one province and 16 major cities in China, each of which plans were designed according to the local demographics.
- *Efficient Cost Management:* Our Health Insurance Services offers pre-hospital navigation and post-hospital support to our members. The service helps our members select the appropriate hospital, specialist and medication while saving their out-of-pocket spending and the insurance carriers' claim spending on medical cost.

### **Our Achievements**

We connect and deliver clear values to patients, doctors, medical institutions, pharmaceutical companies and payers across China's healthcare system through our technology platform and data-enabled operational capabilities. We currently run three business lines, including Specialty Pharmacy Business, Physician Research Assistance, and Health Insurance Services. Our Specialty Pharmacy Business operates the largest privately owned specialty pharmacy, and our Physician Research Assistance runs the largest oncology site management organization ("SMO"), both measured by 2021 revenue. As of June 30, 2022, our Health Insurance Services served approximately 23.9 million members enrolled in our health insurance plans through our health service provider network connecting hospitals, general practitioners ("GPs") and specialists in over 150 major cities across China.

---

## SUMMARY

---

Since founding our Company in 2014, we have been growing with China's healthcare reform. We partner with pharmaceutical innovators, doctors and hospitals, and insurance carriers, empowering them to provide better healthcare and more comprehensive financial support to Chinese people.



Note: All statistics as of June 30, 2022

### ***Our Market Opportunity***

The healthcare industry is an important part of China's national economy. China's healthcare expenditure is massive and growing steadily, from RMB4,097.5 billion in 2015 to RMB8,054.0 billion in 2021, at a CAGR of 12.7%, and it is expected to further reach RMB17,734.4 billion in 2030, growing at a CAGR of 9.2% from 2021 to 2030, according to the CIC Report. Aging population, increasing prevalence of critical disease and changing healthcare payment landscape are the key growth drivers that propel the continuing development of China's healthcare industry.

However, the following challenges impact the development of the China's healthcare industry: (i) inefficient use of healthcare resource; (ii) unmet demand for innovative medical products and services; and (iii) underdeveloped commercial health payers. As such, specialty pharmacy, SMO, and commercial health insurance plan have emerged to address these complex challenges, which all create great growth opportunities.

Specialty Pharmacy Business coordinates the prescription flow and economic flow of medication among insurance carriers, pharmaceutical companies, medical institutions, and pharmacies to efficiently manage the spending on prescription medication, for both patients and payers. Specialty pharmacy is the main category of Specialty Pharmacy Business services in China. A specialty pharmacy is a provider of specialty medicines and pharmacist service to better manage patients taking specialty medicines, and to better procure, store and dispense specialty medicines. In 2021, specialty medicines accounted for approximately 15% of the entire drug market (excluding traditional Chinese medicine) in terms of sales revenue. According to the CIC Report, China's specialty medicine market experienced a steady growth in the past years, increasing from RMB147.0 billion in 2015 to

---

## SUMMARY

---

RMB304.8 billion in 2021, at a CAGR of 12.9%. Notably, oncology specialty medicines represent the largest specialty medicine market in China in 2021, accounting for 63.5% of the total market size. It is expected that the specialty medicine market in China will further reach RMB1,286.5 billion in 2030, at a CAGR of 17.4% from 2021 to 2030. Specialty medicines are sold through both in-hospital pharmacies and specialty pharmacies outside hospitals. The market size of China's specialty pharmacy industry increased from RMB24.5 billion in 2015 to RMB82.0 billion in 2021 at a CAGR of 22.3%, and is expected to reach RMB611.2 billion in 2030 at a CAGR of 25.0%. China's specialty pharmacy industry is in an early stage with a relatively low market concentration. Various small and medium-sized specialty pharmacies compete with large state-owned pharmacy companies, which all operate massive nationwide networks of pharmacy storefronts and sell specialty medicines in some of their storefronts. We face competition with these large state-owned pharmacy companies. We are the largest privately owned specialty pharmacy in China, as measured by specialty medicine revenue in 2021. Our market share in the overall specialty pharmacy market and the privately owned specialty pharmacy market in China was approximately 3.5% and 7.0% in 2021. We also have the largest number of specialty pharmacies with "dual-channel" qualification among all privately owned specialty pharmacy operators in 2021. Among all privately owned specialty pharmacy operators, the second largest player recorded a revenue 69% of ours, and the third largest player about 28% of ours in 2021, according to CIC.

An SMO is an organization that provides specialized service to clinical trials, which reduces the investigator's non-clinical workload and improves the overall efficiency and compliance of clinical trials. According to the CIC Report, the market size of SMO service in China increased from RMB1.1 billion in 2015 to RMB6.9 billion in 2021 at a CAGR of 35.3%, and is expected to further reach RMB35.0 billion in 2030 at a CAGR of 19.8% from 2021 to 2030. Increasing investment in drug R&D and stricter compliance requirements for clinical trials are likely to support the growth of the SMO market in China. Notably, the oncology SMO market is expected to account for approximately 63.7% to 67.8% of the overall SMO market size from 2021 to 2030. The SMO market in China presents a low concentration of participants. As of December 2021, there were 34 SMOs registered in China CRC Home, a nonprofit organization that organizes academic and social activities related to SMO and CRC. There are also many other small-sized regional SMOs that were not registered in China CRC Home, and the total number of SMOs in China in 2021 was estimated to have exceeded 100, according to the industry experts. We compete with other leading SMO companies in the market. We rank fourth in the general SMO market and first in oncology SMO market in China, as measured in revenue in 2021. Our market share in the overall SMO market and the overall oncology SMO market in China was approximately 3.6% and 5.5% in 2021, respectively. In addition, as of December 31, 2021, we had participated in approximately 50% of clinical trials on oncology drugs started from 2017 in China.

China's multi-tiered health insurance system is constructed on the basis of national basic medical insurance, and supplemented by commercial health insurance, medical relief systems and charity medical donations. As of December 31, 2021, China's national basic medical insurance enrolled over 1.3 billion people, accounting for 96.8% of the total population. In 2021, China's national basic medical insurance expenditure reached RMB2,401.1 billion, and the individual medical expense reached RMB2,205.5 billion, accounting for 42.8% and 39.3% of the total medical expense, respectively. Contrary to the extensive coverage of the national basic medical insurance, commercial health insurance claim spending accounted for only 7.3% of the total medical expense in China in 2021. In the future, the national basic medical insurance will continue to provide a fundamental coverage for the broadest population, while the commercial health insurance is expected to function as an increasingly important payment solution for medical expenditure especially on critical diseases,

---

## SUMMARY

---

indicating an urgent need for establishing a multi-tiered health insurance system to serve different groups of people. The market size of commercial health insurance in China increased from RMB241.0 billion in 2015 to RMB880.4 billion in 2021, and is expected to further reach RMB3,873.1 billion in 2030, in terms of premium. Currently, leading Chinese health and life insurance companies are the major players in the commercial health insurance market. In 2021, our market share in terms of premium size in the overall health insurance market in China is estimated to be 0.1%. For Hui Min Insurance, we have enrolled a total of 14.2 million individual members as of December 31, 2021, accounting for approximately 10% of the total number of individual members enrolled in Hui Min Insurance nationwide. However, according to the CIC report, industry participants are still integrating healthcare management services with innovative payment solutions, and a mature market with large platforms providing customers with both healthcare services and payment solutions is yet to be built. We compete with other professional third-party health management platforms that have strong technology capabilities.

### **Our Competitive Advantages**

Our three business lines, Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services, are highly synergistic. Our Specialty Pharmacy Business and Physician Research Assistance businesses enable us to have an unparalleled understanding of innovative drugs and allow doctors in our Health Insurance Services to stay at the forefront of treatment options. Leveraging our extensive health service provider network and deep understanding of physicians' particular needs in scientific research, we assist pharmaceutical companies on site selection and participant enrollment. Referrals from our health service provider network served by our Physician Research Assistance and Health Insurance Services are an important source of patients for our specialty pharmacies in Specialty Pharmacy Business line. Our rich medication selection offers patients advanced treatment options, accompanied by our professional pharmacist service that drives better medication adherence and enhances treatment paradigm efficacy. Lastly, our health insurance plans offer additional protection to members when they face critical diseases, such as cancer, while offering growth opportunities to our commercial insurance partners.

Moreover, each of our three business lines has its competitive advantages, leveraging which we believe we will further expand our business in the future.

*Specialty Pharmacy Business.* For our specialty pharmacy business, we compete with leading pharmacy service providers and differentiate from them mainly in terms of product offering and pharmacist service, which lead to our unique business model that we believe has strong competitive advantages. Specifically, our product offering focuses on specialty medicines, including 320 innovative oncology drugs and 231 innovative drugs for the treatment of other critical diseases, as of the Latest Practicable Date. Comparatively, one of our competitors, Company 1D (as disclosed in the "Industry Overview" section), which is a nationwide offline + online specialty pharmacy, offers 150 to 200 innovative drugs, among which 60 to 80 are innovative oncology drugs, according to CIC. As cancer is increasingly prevalent in China, the demand for innovative oncology drugs will continue to rise, and our product offering is well positioned to capture the market growth trend. Secondly, our pharmacist service differs from that offered by our peers, as we see follow-up assessment as a key component of our professional services for patients taking specialty medicines. Our pharmacists conduct routine follow-up assessments for patients, which help us to attract and retain customers. Comparatively, Company 1D does not provide routine follow-up assessments for patients taking specialty medicines, according to CIC. From similar perspectives, our specialty pharmacy business model also differs significantly from that of O2O pharmacy platforms, which to a large extent focuses on OTC and prescription medicines targeting common diseases, and healthcare products, and emphasizes their



---

## SUMMARY

---

competitiveness on convenience in placing orders, densely distributed offline pharmacy network and short delivery time. According to CIC, one of the leading O2O pharmacy platforms in China, a Beijing-based digital medical company founded in 2014 that provides fast medicine delivery, online pharmacy services and online medical consultation services and has been listed on the Hong Kong Stock Exchange, currently offers less than 50 specialty medicines, among which less than 10 are innovative oncology drugs. In addition, pharmacist service provided by the aforementioned O2O pharmacy platform focuses on general medical and health consultation, and prescription renewal for patients taking prescription medicines, which significantly differs from our pharmacist service targeting specialty medicines. Moreover, with respect to its limited product offering of specialty medicines, the aforementioned O2O pharmacy platform does not provide routine follow-up assessments for patients taking specialty medicines either.

*Physician Research Assistance Business.* For our SMO business, we ranked first in oncology SMO market in China, as measured by revenue in 2021, with a market share of approximately 5.5%. According to CIC, in 2021, oncology drugs accounted for over 60% of the specialty medicine market in China, and newly registered clinical trials for oncology drugs accounted for over 40% of all newly registered clinical trials for innovative drugs. Clinical trials for oncology drugs are generally more complicated, because the trial design is more complex, the trial cycle is longer, the participants' course of disease is complicated, more inspection means are used, various adverse events (AEs) are involved, and participants may have other diseases such as high blood pressure and diabetes, therefore medicines targeting such other diseases shall be taken at the same time with the oncology drugs. In this regard, our experience and expertise in oncology SMO service will continue to benefit us in our involvement in more clinical trials for oncology drugs, which will have tremendous market opportunities in the near future. In addition, as we mostly compete with the SMO arm of CRO companies including ClinPlus, Company 1A, Company 1B and Company 1C as disclosed in the "Industry Overview" section, our focus on serving physicians avoids potential conflict of interests, which exists for CRO companies that also offer SMO service since their CRAs, whose roles are mainly to monitor and investigate physicians' activities in clinical trials, and their CRCs, whose roles are to assist physicians in clinical trials, are the employees of the same employer. As we only provide SMO service, we face no such conflict of interests.

*Health Insurance Services Business.* For our health insurance service business, we have strong capabilities to co-design and co-develop specialized health insurance plans, leveraging our actuarial capabilities as well as our data insight generated from our Specialty Pharmacy Business and Physician Research Assistance business lines. Our nationwide footprint of specialty pharmacy stores and professional pharmacist follow-up services targeting patients taking innovative drugs, and our expertise and experience in assisting physicians in nationwide multi-site clinical trials on innovative drugs particularly oncology drugs, allow us to build up our data insight with respect to the local demographics and patient demand, which empower us to tailor the terms and coverages of our health insurance plans, including Hui Min Insurance and Enterprise Health Plans, to better meet consumers' unique needs for insurance protection and health management services. As a result, our health insurance member base grew quickly since the inception of our Health Insurance Services business, which contributed to the significant increase of the premium we collected on behalf of insurance carriers. Consequentially, we are able to attract more market-leading insurance carriers and turn them into our customers. Moreover, unlike conventional insurance brokerage companies such as Fanhua (FANH. Nasdaq) and Huize (HUIZ. Nasdaq), we have established a comprehensive health service provider network connecting our members to medical institutions, specialists, GPs and health examination institutions, differentiating us from our competitors that only provide insurance brokerage services.

## SUMMARY

### Our Results

Our total revenues increased by 159.8% from RMB1,039.0 million in 2019 to RMB2,699.6 million in 2020, and further increased by 28.7% to RMB3,473.9 million in 2021. For the six months ended June 30, 2022, we generated revenue of RMB1,887.7 million, representing increase of 21.8% from RMB1,550.0 million for the six months ended June 30, 2021. In 2019, 2020, 2021 and the six months ended June 30, 2022, we had loss for the year/period before tax of RMB596.0 million, RMB1,040.9 million, RMB3,747.7 million and RMB344.4 million, respectively. Excluding the impact of (i) fair value changes of convertible redeemable preferred shares, (ii) share-based payment compensation, (iii) listing expenses, and (iv) transaction cost for the issue of convertible redeemable preferred shares, our adjusted loss (non-IFRS measure) was RMB254.2 million, RMB258.6 million, RMB365.1 million and RMB143.1 million for 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. The following table sets forth the revenue and gross margin of our three revenue streams for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	Revenue	Gross margin	Revenue	Gross margin	Revenue	Gross margin	Revenue	Gross margin	Revenue	Gross margin
	<i>(RMB in thousands)</i>						<i>(unaudited)</i>			
Specialty										
Pharmacy										
Business	863,600	5.6%	2,482,006	5.5%	3,136,484	5.9%	1,407,134	6.0%	1,646,388	5.4%
Physician										
Research										
Assistance	173,195	19.1%	185,652	21.2%	244,857	18.3%	102,133	13.4%	149,154	17.7%
Health										
Insurance										
Services	2,216	39.5%	31,989	36.5%	92,589	57.4%	40,777	49.4%	92,110	67.0%
<b>Total . . . .</b>	<b><u>1,039,011</u></b>	<b><u>7.9%</u></b>	<b><u>2,699,647</u></b>	<b><u>6.9%</u></b>	<b><u>3,473,930</u></b>	<b><u>8.2%</u></b>	<b><u>1,550,044</u></b>	<b><u>7.6%</u></b>	<b><u>1,887,652</u></b>	<b><u>9.4%</u></b>

Our gross margin in Health Insurance Services business decreased from 2019 to 2020 primarily reflected a significant change in the business mix of our Health Insurance Services as we launched Hui Min Insurance, our first insurance plan, in December 2019. Revenue and cost of Health Insurance Services thereafter mainly consisted of commission income and associated costs in selling insurance products underwritten by partner insurance carriers. Prior to that, the Health Insurance Services business line only included small amounts of revenue and costs from providing health management or claim management services to insurance carriers. Our gross margin in Health Insurance Services business then further increased in 2021 and the six months ended June 30, 2022, primarily because our revenue generated from commission income in selling insurance plans increased while the marginal cost reduced.

## SUMMARY

### *Our Specialty Pharmacy Business*

The number of our specialty pharmacy stores grew from 70 as of December 31, 2019, to 76 as of December 31, 2020, to 91 as of December 31, 2021, and further to 103 as of June 30, 2022. The increase in the number of our specialty pharmacies during the Track Record Period was mainly attributable to the organic growth of our pharmacy network, through which we rapidly developed a deep understanding of the specialty pharmacy business. The following table sets forth the movement of the number of our specialty pharmacies for the periods indicated.

	For the year ended December 31,			For the six months ended June 30, 2022
	2019	2020	2021	2022
<b>Number of specialty pharmacies,</b>				
As of the beginning of the periods indicated . . . . .	31	70	76	91
Built by ourselves . . . . .	30	7	10	9
Acquired from third parties . . . . .	9	2	8	3
Closed . . . . .	—	3	3	0
<b>As of the end of the periods indicated . . . . .</b>	<b>70</b>	<b>76</b>	<b>91</b>	<b>103</b>

Our network expansion demonstrated our efforts to improve our capabilities to serve a larger population of patients and to tap new pharmaceutical business growth opportunities. The following table sets forth the number of our specialty pharmacies in different regions in China for the periods indicated.

	For the year ended December 31,			For the six months ended June 30, 2022
	2019	2020	2021	2022
<b>Number of specialty pharmacies as of the end of the periods indicated</b>				
Eastern China . . . . .	16	22	28	28
Southern China . . . . .	16	18	21	25
Western China . . . . .	15	14	16	18
Northern China . . . . .	23	22	26	32
<b>Total . . . . .</b>	<b>70</b>	<b>76</b>	<b>91</b>	<b>103</b>

We consider average sales per pharmacy store a meaningful number to measure efficiency and expanding coverage within a city. The following table sets forth our sales per store data for the periods indicated.

	For the year ended December 31,			For the six months ended June 30, 2022 <sup>(2)</sup>
	2019	2020	2021	2022
<b>Average monthly sales per pharmacy store<sup>(1)</sup> (RMB)</b>				
Eastern China . . . . .	1,144,020	2,715,354	2,640,431	2,466,353
Southern China . . . . .	1,188,930	2,212,408	2,897,286	2,395,170
Western China . . . . .	1,331,773	2,267,231	2,784,355	2,804,184
Northern China . . . . .	1,518,041	3,216,843	3,253,301	2,787,629
<b>Average . . . . .</b>	<b>1,282,353</b>	<b>2,660,758</b>	<b>2,900,420</b>	<b>2,606,396</b>

*Note:*

- (1) Calculated by dividing the total revenue generated by our pharmacy stores for the period by the total number of months during which our pharmacy stores recorded revenue for the period.
- (2) Our average monthly sales per store in the six months ended June 30, 2022 was lower than that in 2020 and 2021, because specialty medicine retail business is generally at its lowest point in January to February when there is the Chinese Spring Festival.

## SUMMARY

### *Development Stages of Our Specialty Pharmacies*

We opened our first specialty pharmacy store in August 2017, and expanded our nationwide footprint steadily through organic growth and strategic acquisition. For all of our pharmacy stores that were in operation as of June 30, 2022, each of them was profit making in terms of its respective gross profit during the Track Record Period. The following table sets forth the financial performance of our specialty pharmacies, grouped by years of opening, that are either built by ourselves or acquired from third parties that constituted asset acquisition, during the year ended December 31, 2021, which are important metrics that our management tracks in evaluating our performance in initiating and running specialty pharmacy business by ourselves. We exclude in the following table the specialty pharmacies we acquired from third parties that constituted business combination, since the financial metrics of such specialty pharmacies would lead to inaccuracy when we evaluate our performance in growing a pharmacy's business from zero. For acquired stores that constituted asset acquisition or business combination, see "Financial Information—Significant Accounting Policies, Judgments and Estimates—Acquisition of Subsidiaries That are not a Business" and "Financial Information—Significant Accounting Policies, Judgments and Estimates—Business Combination" for more details. As shown in the table below, for illustrative purpose, stores opened in 2018 have an operating period of three full fiscal years as of December 31, 2021, and their average revenue and average gross profit in 2021 was RMB51.9 million and RMB2.8 million, respectively; stores opened in 2020 have an operating period of one full fiscal year as of December 31, 2021, and their average revenue and average gross profit in 2021 was RMB28.1 million and RMB1.5 million, respectively. Our pharmacy stores had been ramping up during the Track Record Period.

Year of Opening	Number of Stores	Average Revenue in 2021 (RMB'000)	Average Gross Profit in 2021 (RMB'000)	Average Gross Profit Margin in 2021 (%)	CAGR of Revenue <sup>(1)</sup>
2017 .....	1	40,629	2,182	5.4%	32.0% <sup>(2)</sup>
2018 .....	28	51,881	2,797	5.4%	61.2% <sup>(3)</sup>
2019 .....	26	24,095	1,292	5.4%	27.2% <sup>(4)</sup>
2020 .....	9	28,085	1,478	5.3%	N/A
2021 .....	18	3,723	193	5.2%	N/A

*Notes:*

- (1) Calculated for the period from the year immediately following the year of opening to 2021, such that the annualized revenue growth is calculated based on full years of business operation.
- (2) Calculated based on the average revenue in 2018 in the amount of RMB17,667,512.
- (3) Calculated based on the average revenue in 2019 in the amount of RMB19,959,485.
- (4) Calculated based on the average revenue in 2020 in the amount of RMB18,947,802.

### **Our Lease Liabilities**

The maturity profile of our lease liabilities is based on the contractual undiscounted payments as follows:

	As of December 31, 2019			
	within 1 year	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities .....	27,006	45,725	908	73,639
Number of corresponding lease agreements .....	17	101	4	122

## SUMMARY

	As of December 31, 2020			
	within 1 year	1 to 5 years	More than 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities	28,647	37,873	311	66,831
Number of corresponding lease agreements	60	93	3	156
	As of December 31, 2021			
	within 1 year	1 to 5 years	More than 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities	38,693	55,589	981	93,263
Number of corresponding lease agreements	40	136	7	183
	As of June 30, 2022			
	within 1 year	1 to 5 years	More than 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities	36,149	49,749	1,370	87,268
Number of corresponding lease agreements	54	102	5	161

### OUR STRENGTHS

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

- Integrated Health Management Network to Transform Healthcare Industry in China
- Symbiotic Self-reinforcing Ecosystem with Strong Synergies
- Enabler to Industry Participants, Creating a Competitive Advantage Hard to Emulate
- Leading the Digital Transformation with Proprietary Data and Technology
- Diverse Monetization Strategy Fueling Continued Growth
- Experienced Management Team with Unparalleled Industry Insight and Business Acumen

### OUR STRATEGIES

We strive to transform China's healthcare industry by empowering doctors, pharmaceutical companies and insurance carriers through technology and data. To achieve our goal, we intend to pursue the following strategies:

- Continue to Grow Our Symbiotic Ecosystem
- Further Strengthen Our Capability to Serve Doctors
- Strengthen Our Technology Infrastructure and Data Insights
- Grow Specialty Pharmacy Business Service with Investment in Geographic Expansion, and Talent Recruitment and Retention
- Expand Geographically and Increase Service Offerings in Physician Research Assistance Business
- Expand Health Insurance Services by Growing Health Service Provider Network and Offering Innovative Insurance Products Adaptive to Market Changes
- Enhance Our Monetization Capability

---

## SUMMARY

---

### RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, which are set out in “Risk Factors” in this prospectus. You should read the section in entirety carefully. Some of the major risks we face relate to:

- We may not be able to manage the growth of our business and operations or implement our business strategies successfully.
- We have historically incurred net losses and may not be able to achieve or maintain profitability sustainably.
- We may fail to properly manage, create values or maintain a symbiotic ecosystem for various participants in the healthcare industry, including patients, doctors, medical institutions, pharmaceutical companies and payers.
- Pharmaceutical companies may reduce their spending on pharmaceutical R&D services and adversely affect our Physician Research Assistance business.
- Some pharmaceutical products offered by us are subject to and will continue to be subject to centralized procurement policies in China.
- Our business generates and processes a large amount of data, and improper use or disclosure of such data could harm our reputation, business and prospects.
- Public scrutiny of internet privacy and security issues may result in increased regulation and tightening industry standards, which could deter or limit us from providing our products and services to our customers, thereby harming our businesses.
- Any lack of requisite approvals, licenses or permits applicable to our business, or any non-compliance with relevant laws and regulations, may have a material and adverse effect on our performance.
- We may fail to adopt new technologies or adapt our products or services to changing customers’ requirements or emerging industry standards, and our efforts to invest in the development of new technologies may be unsuccessful or ineffective.
- There has been no prior public market for our Shares prior to the Global Offering, and there can be no assurance that an active market would develop, and the price and trading volume of our Shares may be volatile.

## SUMMARY

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

#### Selected Consolidated Statements of Profit or Loss

The following table sets forth the components of our consolidated statements of profit or loss for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Revenue	1,039,011	100.0	2,699,647	100.0	3,473,930	100.0	1,550,044	100.0	1,887,652	100.0
Gross profit	81,804	7.9	186,860	6.9	283,449	8.2	118,482	7.6	176,944	9.4
Loss before fair value losses on convertible redeemable preferred shares	(275,928)	(26.5)	(383,506)	(14.2)	(699,250)	(20.1)	(348,741)	(22.5)	(259,340)	(13.7)
Loss before tax	(596,020)	(57.3)	(1,040,850)	(38.5)	(3,747,678)	(107.9)	(2,516,810)	(162.4)	(344,441)	(18.2)
Loss for the year/period	(596,071)	(57.3)	(1,042,029)	(38.5)	(3,748,503)	(107.9)	(2,516,772)	(162.4)	(345,987)	(18.3)
Attributable to:										
Owners of the parent	(594,595)	(57.2)	(1,042,781)	(38.5)	(3,740,455)	(107.7)	(2,510,065)	(161.9)	(346,327)	(18.3)
Non-controlling interests	(1,476)	(0.1)	752	0.0	(8,048)	(0.2)	(6,707)	(0.4)	340	0.0
	(596,071)	(57.3)	(1,042,029)	(38.5)	(3,748,503)	(107.9)	(2,516,772)	(162.4)	(345,987)	(18.3)

#### Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRSs. We believe adjusted loss (non-IFRS measure) facilitates comparisons of company to company by eliminating potential impacts of items.

We believe adjusted loss (non-IFRS measure) provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as they help our management. However, our presentation of adjusted loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted loss (non-IFRS measure) has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

We define adjusted loss (non-IFRS measure) as profit/(loss) for the year/period, excluding (i) fair value changes of convertible redeemable preferred shares, (ii) share-based payment compensation, (iii) listing expenses, and (iv) transaction cost for the issue of convertible redeemable preferred shares. The convertible preferred shares will automatically convert into ordinary shares upon the completion of the Global Offering, and no further loss or gain on fair value changes is expected to be recognized afterwards.

## SUMMARY

The following table reconciles our adjusted loss (non-IFRS measure) for the years/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
				<i>(unaudited)</i>	
	<i>(RMB in thousands)</i>				
<b>Reconciliation of loss to adjusted loss (non-IFRS measure):</b>					
Loss for the year/period	(596,071)	(1,042,029)	(3,748,503)	(2,516,772)	(345,987)
Add:					
Fair value loss on convertible redeemable preferred shares <sup>(a)</sup>	320,092	657,344	3,048,428	2,168,069	85,101
Share-based payment compensation <sup>(b)</sup>	21,738	113,995	298,682	143,967	105,662
Listing expense <sup>(c)</sup>	—	—	28,783	8,761	12,114
Transaction cost for the issue of convertible redeemable preferred shares <sup>(d)</sup>	—	12,127	7,526	3,661	—
<b>Adjusted loss (non-IFRS measure) for the year/period</b>	<b><u>(254,241)</u></b>	<b><u>(258,563)</u></b>	<b><u>(365,084)</u></b>	<b><u>(192,314)</u></b>	<b><u>(143,110)</u></b>

*Notes:*

- (a) Fair value changes of convertible redeemable preferred shares represent the gains or losses arising from change in fair value of our issued Series A, Series A-1, Series B, Series C, Series D, Series E and Series F convertible redeemable preferred shares, which was recognized as a financial liability at fair value through profit or loss. Such changes are non-cash in nature. The convertible preferred shares will automatically convert into ordinary shares upon the completion of the Global Offering, and no further loss or gain on fair value changes is expected to be recognized afterwards.
- (b) Share-based compensation expenses relate to the share awards we offered to our employees and directors under 2017 Share Option Plans, which are primarily non-cash in nature and does not result in cash outflow.
- (c) Listing expenses are expenses in relation to the Listing and the Global Offering.
- (d) Transaction cost for the issue of convertible redeemable preferred shares are expenses in relation to the share issuance.

We had net losses of RMB596.1 million, RMB1,042.0 million and RMB3,748.5 million in 2019, 2020 and 2021, respectively, the continuous increase in which were mainly attributable to the following factors: (i) our fair value losses on convertible redeemable preferred shares increased from RMB320.1 million in 2019 to RMB657.3 million in 2020 and further to RMB3,048.4 million in 2021 as a result of the increase in our valuation; (ii) we had increasing investment in business expansion and growth in the ramp-up stage of our business lines; and (iii) we incurred the share based compensation of RMB21.7 million, RMB114.0 million and RMB298.7 million, respectively, during the Track Record Period to award our employees and Directors under the 2017 Share Option Plans. Our net losses decreased from RMB2,516.8 million for the six months ended June 30, 2021 to RMB346.0 million for the six months ended June 30, 2022, mainly attributable to the decrease in our fair value losses on convertible redeemable preferred shares from RMB2,168.1 million for the six months ended June 30, 2021 to RMB85.1 million for the six months ended June 30, 2022 reflecting our stable valuation status since 2022.



## SUMMARY

### Selected Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	<i>(RMB in thousands)</i>			
Total non-current assets	192,453	186,442	404,576	383,783
Total current assets	958,653	2,292,156	2,488,243	2,521,368
<b>Total assets</b>	<b>1,151,106</b>	<b>2,478,598</b>	<b>2,892,819</b>	<b>2,905,151</b>
Total non-current liabilities	1,820,624	3,657,000	7,492,929	7,963,513
Total current liabilities	337,419	613,245	830,800	1,004,577
<b>Net current assets</b>	<b>621,234</b>	<b>1,678,911</b>	<b>1,657,443</b>	<b>1,516,791</b>
<b>Total liabilities</b>	<b>2,158,043</b>	<b>4,270,245</b>	<b>8,323,729</b>	<b>8,968,090</b>
<b>Net Liabilities</b>	<b>(1,006,937)</b>	<b>(1,791,647)</b>	<b>(5,430,910)</b>	<b>(6,062,939)</b>
Equity attributable to owners of the parent:				
Share capital	61	61	138	138
Reserves	(1,010,651)	(1,796,713)	(5,429,362)	(6,062,221)
	(1,010,590)	(1,796,652)	(5,429,224)	(6,062,083)
Non-controlling interests	3,653	5,005	(1,686)	(856)
<b>Total deficit</b>	<b>(1,006,937)</b>	<b>(1,791,647)</b>	<b>(5,430,910)</b>	<b>(6,062,939)</b>

We have incurred net loss historically and as of June 30, 2022 we had net liabilities of RMB6,062.9 million, primarily due to the issuance of the convertible redeemable preferred shares. In 2019, 2020, 2021 and the six months ended June 30, 2022, we recorded fair value loss on convertible redeemable preferred shares of RMB320.1 million, RMB657.3 million, and RMB3,048.4 million and RMB85.1 million, respectively.

Our net current assets substantially increased to RMB1,678.9 million as of December 31, 2020 from RMB621.2 million as of December 31, 2019, mainly attributable to a RMB1,428.9 million increase in our cash and cash equivalents, representing a trend of continuous growth primarily due to our financing activities, especially from our series E financing.

Our convertible redeemable preferred shares will be re-designated and reclassified from liabilities to equity as a result of the conversion into ordinary shares upon the Listing. As of June 30, 2022, our convertible redeemable preferred shares amounted to RMB7,914.4 million and our net liabilities amounted to RMB6,062.9 million. We will turn around to net assets position after the Listing. Changes in fair value of convertible redeemable preferred shares had affected our results of operation under IFRS significantly during the Track Record Period and may continue to have adverse effect on our financial results when our valuation continues to increase until conversion into ordinary shares, after which we do not expect to recognize any further loss or gain on fair value changes from convertible redeemable preferred shares.

For detailed discussion of balance sheet items, see “Financial Information—Discussion of Selected Assets and Liabilities Items”.

## SUMMARY

### Selected Consolidated Statements of Cash Flow

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

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
	<i>(unaudited)</i>				
	<i>(RMB in thousands)</i>				
Net cash flows used in operating activities . . . . .	(327,160)	(192,117)	(621,919)	(474,535)	(215,008)
Net cash flows (used in)/from investing activities . . . . .	(80,615)	319,617	(1,020,333)	(1,218,018)	1,056,987
Net cash flows from/(used in) financing activities . . . . .	551,710	1,311,939	559,292	731,248	(13,678)
Net increase/(decrease) in cash and cash equivalents . . . . .	143,935	1,439,439	(1,082,960)	(961,305)	828,301
Cash and cash equivalents at beginning of the year/period . . . . .	59,904	199,110	1,628,021	1,628,021	535,849
Effect of foreign exchange rate changes, net . . . . .	(4,729)	(10,528)	(9,212)	(9,072)	2,273
Cash and cash equivalents at end of the year/period . . . . .	<u>199,110</u>	<u>1,628,021</u>	<u>535,849</u>	<u>657,644</u>	<u>1,366,423</u>

In 2019, 2020 and 2021, our net operating cash outflows amounted to RMB327.2 million, RMB192.1 million and RMB621.9 million, respectively. The overall trend of increase in net operating cash outflows was primarily driven by the growth of our business scale at the investment stage in each of our business lines, which largely increased the amount used in working capital, including the increase in trade and bills receivables, prepayments and other receivables. For the six months ended June 30, 2022, our net operating cash outflows amounted to RMB215.0 million. For details of changes in our operating cash outflows, see “Financial Information—Liquidity and Capital Recourses—Net Cash Flows Used in Operating Activities” in this prospectus.

### PRE-IPO INVESTMENTS

We have received multiple series of equity financings to support our expansion of business operations from August 2015 to June 2021, which constitute our Pre-IPO Investments. The Pre-IPO Investments include (i) Series A Financing, (ii) Series A-1 Financing, (iii) Series B Financing, (iv) Series C Financing, (v) Series D Financing, (vi) Series D+ Financing, (vii) Series E Financing, and (viii) Series F Financing. We raised a total of approximately US\$574.12 million through Pre-IPO Investments. Generally, under the lock-up arrangements, each Pre-IPO Investor will not, at any time during the period commencing on the Listing Date and ending on a date which is six months from the Listing Date, offer, pledge, sell, transfer or otherwise dispose of their Shares acquired in the Pre-IPO Investments. For details, see “History, Reorganization and Corporate Structure—Pre-IPO Investments” in this prospectus.

Our Pre-IPO Investors consist of private equity and venture capital funds and investment holding companies. For details, see “History, Reorganization and Corporate Structure—Pre-IPO Investments—Information about our Pre-IPO Investors” in this prospectus.

### BUSINESS SUSTAINABILITY AND WORKING CAPITAL SUFFICIENCY

During the Track Record Period, we experienced certain risks relating to our financial position. For details, please refer to “We have historically incurred net losses and may not be able to achieve or maintain profitability sustainably”, “we had cash outflow from operating activities during the Track Record Period and may continue to experience net operating cash outflow in the foreseeable future”,

---

## SUMMARY

---

and “we had net liabilities during the Track Record Period” as set out in “Risk Factors” in this prospectus. To mitigate these risks, we plan to take following measures to improve our financial position.

### **Measures to Mitigate Risks Relating to Net Losses**

We recorded net loss of RMB596 million, RMB1,042 million, RMB3,749 million and RMB346 million for 2019, 2020, 2021 and the six months ended June 30, 2022 (or adjusted net loss (non-IFRS measure) of RMB254 million, RMB259 million, RMB365 million and RMB143 million if excluding fair value loss on convertible redeemable preferred shares and certain other items) respectively. We estimate to mitigate risks relating to our net losses and then achieve net profit in the coming three to five years with the below plans:

For Specialty Pharmacy Business, we plan to (i) drive continued revenue growth by strategically opening of new specialty pharmacies; and (ii) take measures to steadily improve the store-level profitability for our specialty pharmacies. We will continue to expand geographically, by opening up new pharmacies organically or acquiring externally when right opportunities arise. We aim to open approximately 35 specialty pharmacies by 2024. In terms of performance of our specialty pharmacy per store, we expect to steadily improve the average monthly revenue from RMB2.9 million per store in 2021 to over RMB3.0 million in 2022. We believe the store-level profitability of our existing pharmacies will continue to grow in the near future, considering (i) the sales of existing pharmacies are expected to continue to grow; (ii) operating costs as a percentage of revenue are also expected to reduce as we further expand; and (iii) we are expected to make purchases at favorable condition as a result of our increased bargaining power and enlarged business scale, thereby increasing the profitability of our existing pharmacies. In line with the expansion of our specialty pharmacy network, we expect that we will be able to control our costs and expenses for existing specialty pharmacies primarily through improving overall operational efficiency, including inventory management efficiency, to reduce logistics costs and rental expenses. The scale expansion and improved per store performance together are expected to help significantly grow revenue from Specialty Pharmacy Business.

For Physician Research Assistance business, we had backlogged contracts of RMB986.5 million in the aggregate as of June 30, 2022, which will contribute to our future revenue growth as 80% of the backlogged contracts are expected to be recognized within three years and the remaining 20% to be recognized within five years. In addition, we already managed to secure another RMB220.8 million order of Physician Research Assistance service in the first half of 2022, and in the long run, as the market leader in the oncology site management service industry, we believe that we are well positioned to capture the over 20% CAGR growth till 2026. As a result of the combinational effect of backlogged contracts continuously contributing to future revenue streams as well as steady growth from new contracts, we expect to more than double our revenue from Physician Research Assistance business in the coming three to five years. Additionally, we will improve the profitability of our Physician Research Assistance business leveraging our accumulated experience in providing a variety of SMO services to meet diversified customer demands, streamlining the project process and securing more orders with the support of the symbiotic ecosystem of our three business lines.

For Health Insurance Services business, we will continue our current pace to roll out Hui Min Insurance in about 10 new cities as what we did in 2021, which is expected to significantly grow our member base and revenue in the coming three to five years. We will actively seek suitable target cities including provincial capitals and leading provincial tier 2 and tier 3 cities. Accordingly, we expect to increase our customer base by approximately five to seven million per year. Additionally, as insured

---

## SUMMARY

---

members begin to complete their initial one-year term of Hui Min Insurance in various cities, many of them are expected to renew their coverage and continue to generate revenue for us. Moreover, we expect Enterprise Health Plan to become an important revenue contributor. We have won the trust from more than 740 enterprises, including several Fortune 500 companies, on the second year after launching the Enterprise Health Plans. We will further strengthen and customize our the Enterprise Health Plans to cater for evolving clients' needs. On the other hand, we will actively seek market opportunities and target mainly enterprise clients with over 1,000 employees in tier 1 and leading tier 2 cities in China with booming economics. Expected to continue this momentum, Enterprise Health Plan is estimated to contribute even more revenue than our Hui Min Insurance in the coming three to five years.

On top of the above revenue expansion, we will also endeavor to improve operating efficiency, especially as a result of economies of scale. Specifically, we expect to have better marketing and promotion efficiency, as we have been continuously winning trust and building reputation among pharmaceutical and biotech companies, through functioning as their important product distribution channels in Specialty Pharmacy Business, assisting their clinical trials in Physician Research Assistance business, and creating important payment solutions for their products with Hui Min Insurance in Health Insurance Services business. Similarly, the continuing success of Hui Min Insurance in many cities will propel insurance carriers to seek to work with us and develop insurance products in new cities, thus lowering business development expenses. Additionally, as insured members begin to complete their initial one-year term of Hui Min Insurance in various cities, many of them are expected to renew their coverage which will save us from the marketing and promotion spending when first launching Hui Min Insurance.

We gradually receive more favorable terms from our business partners as the scale goes up, especially from the suppliers of specialty medicines from pharmaceutical companies in the Specialty Pharmacy Business. The initial cost of building a strong headquarter management and back office functions also begins to be spread out and shared by the increasingly large revenue base across all three segments.

All these efforts combined, we expect to achieve net profit in the coming three to five years.

### **Measures to Mitigate Risks Relating to Net Operating Cash Outflows**

We expect our net operating cash outflows position to improve concurrently with our profitability, mainly through (i) growing and diversifying each business line to achieve optimized economy of scale and preferable business terms, so as to improve gross margin and operating margin; (ii) putting more efforts in receivables collection management in order to reduce our receivables and turnover days so as to improve our working capital condition; (iii) actively seeking bank loan facilities or private financings to create a better capital mix and lowering the costs for raising external fundings to achieve a better working capital condition; and (iv) further improving our operational efficiency to enhance our working capital position through review regularly and update our liquidity and funding policies to ensure that it is aligned with our business plan and financial position, preparing cash flow and funding summaries on a regular basis to monitor our cash flow, conducting regular review by our management and a serious related measures.

### **Measures to Mitigate Risks Relating to Net Liabilities**

On the liquidity side, we had cash and cash equivalents of RMB536 million as of December 31, 2021, and additional financial assets at FVTPL, which were all highly liquid and low risk investment products purchased from reputable banks (wealth management products), of RMB1,067 million as of

---

## SUMMARY

---

the same date. Comparably, RMB246 million of cash were used for working capital in 2021. Furthermore, we recorded net current assets of RMB621.2 million, RMB1,678.9 million, RMB1,657.4 million and RMB1,516.8 million, respectively, as of December 31, 2019, 2020, 2021 and June 30, 2022. We recorded net liabilities of RMB1,006.9 million, RMB1,791.6 million, RMB 5,430.9 million and RMB6,062.9 million, respectively, as of December 31, 2019, 2020, 2021 and June 30, 2022, primarily reflecting changes in equity comprising (i) total comprehensive expense for the year, including, among other items, fair value loss on convertible redeemable preferred shares, due to increase in valuation; (ii) share-based payment compensation; and (iii) acquisition of subsidiaries or disposal of subsidiaries of offline clinic services. Our net liabilities condition were mainly due to the convertible redeemable preferred shares which will be redesignated and reclassified from liabilities to equity upon the Listing. Our liquidity condition was also well indicated by our current ratio which ranged from 2.5 to 3.7 at the end of each year/period during the Track Record Period. We believe our strong liquidity position is comfortably sufficient to support the demand from working capital within three to five years, even without taking into consideration of the proceeds from this Global Offering.

### RECENT DEVELOPMENT

In our Specialty Pharmacy Business line, the number of our specialty pharmacies decreased to 99 as of October 31, 2022, from 103 as of June 30, 2022, as we opened one pharmacy store in Qingdao, and closed one pharmacy store in each of Guangzhou, Hefei, Xuzhou, Zunyi and Shanghai.

In our Physician Research Assistance business line, we had 118 SMO projects completed, 957 SMO projects under progress, and cumulatively served 299 clients across trial sites in 83 cities as of October 31, 2022. Comparatively, we had 99 SMO projects completed, 936 SMO projects under progress, and cumulatively served 289 clients across trial sites in 87 cities as of June 30, 2022.

In our Health Insurance Services business line, we served approximately 26.3 million individual members and 952 enterprise clients as of October 31, 2022, as compared to approximately 23.9 million individual members and 876 enterprise clients as of June 30, 2022.

As we expect our operating expenses to increase in the future as we expand our operations, and after the Global Offering, we may incur additional compliance, accounting, and other expenses that we did not incur as a private company, we will continue to make loss in the fiscal year of 2022.

### Impact of COVID-19

Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. In response, China has imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus.

Our businesses, especially the SMO services in the Physician Research Assistance business line, have been adversely impacted during the peak of COVID-19. In early 2020, our clinical trial sites for SMO services faced temporary shutdown, many clinical trials were restricted or suspended, and our participant enrollment process was delayed due to quarantine and other public restrictive measures. Meanwhile, specialty pharmacies in certain severely-affected regions, such as Beijing, Shanghai, Wuhan, Guangzhou and Xi'an, encountered delivery delay of medicines to patients. As the clinical trial sites for our SMO services and the pharmacy stores for our Specialty Pharmacy Business were located in various regions across the country, the duration of temporary shutdown for each and the exact time of business resumption varies among cities. For example, during the COVID-19 outbreak in early 2020, the temporary shutdown lasted for about two months since January and the business

---

## SUMMARY

---

gradually resumed since April 2020. In Chongqing, the clinical sites for SMO projects were closed for about one month in February 2020. We did not encounter cancellation of SMO projects due to the temporary shutdown during the COVID-19 outbreak in 2020. We believe such impact is not material because it did not adversely affect our overall business development, results of operations and financial conditions. Although SMO services were negatively affected by the COVID-19 pandemic in early 2020, our revenue from our Physician Research Assistance business still managed to increase by 7.2% from RMB173.2 million in 2019 to RMB185.7 million in 2020, as our customers swiftly resumed their clinical trials soon after the restrictions were lifted. The impacts on our Specialty Pharmacy Business and Health Insurance Services business were limited as medicines in Specialty Pharmacy Business could still be delivered to patients and operation of insurance brokerage in our Health Insurance Services business were mostly online.

We believe the impact of COVID-19 on our business in 2021 was relatively limited due to the following reasons:

- Specialty Pharmacy Business: We have maintained sufficient stock and do not encounter any material shortage of prescription drugs required for our specialty pharmacies. All of our major suppliers are Chinese companies which have resumed normal operations and none of them had reported any material disruption to their business operations as a result of COVID-19, as of the Latest Practicable Date. We had not experienced any material difficulties in procurement of prescription drugs nor any significant fluctuation in the prices of supplies.
- Physician Research Assistance Business: We do not experience any material delay in providing our SMO services including the clinical trial site selection and participant enrollment to our client of the Physician Research Assistance business. At the same time, we have followed the regulatory guidance related to prevention of COVID-19 to mitigate any impact the COVID-19 outbreak may have on our ongoing SMO projects.
- Health Insurance Services Business: Given the nature of our Health Insurance Services business, we do not expect any material disruptions to our provision of insurance brokerage services, health management and claim management services provided to insurance carriers as a result of COVID-19 impact.
- Operations: We have resumed and continued our normal operations in accordance with applicable laws and regulations, and adopted a thorough disease prevention scheme to protect our employees.

Since the beginning of 2022, there have been a global outbreak of Omicron (COVID-19 variant) which had again caused temporary closure of certain types of premises and tightening of social distancing restrictions. Regions that were severely impacted in China, such as Shanghai, Jiangsu Province, Jilin Province and Guangdong Province, have implemented strict restrictive measures, such as lockdown, quarantine, closure of business and work places, travel restrictions and home office policies, which had an impact on our business operation. For example, the participant enrollment and follow-up visits for our SMO services may be limited due to temporary quarantine policy since March 2022. In the meantime, in certain cities such as Shanghai, the operation of pharmacies and medicine delivery were temporarily restricted. The extent to which the COVID-19 variants and sub-variants outbreak impacts our business, results of operations and financial condition will depend on many factors beyond our control, including the extent of resurgences of the disease and its variants, vaccine distribution and other actions in response to the virus or to contain its impact. It is uncertain when and whether COVID-19 could be contained globally. We are closely monitoring impact of COVID-19 outbreak on us and plan to continue implementing measures necessary to ease the impact of the outbreak on our operations. Our Directors are of the view that, since December 31, 2021 and up to September 30, 2022,

---

## SUMMARY

---

the Omicron outbreak had not resulted in material adverse impact on our financial performance and operation. Our Specialty Pharmacy Business and Physician Research Assistance businesses mainly serve the provision for specialty medicines and R&D of the oncology treatment, the demand of which will not be reduced by the temporary shutdown and is expected to boost the recovery of our business operation once the restrictive policies are loosened up or removed. However, we cannot assure you that the COVID-19 pandemic will not further escalate or have a material adverse effect on our results of operations, financial condition or prospects since we have no experienced material disruption of our businesses. Our operations may also be adversely affected if any of our employees or employees of suppliers and other business partners are suspected of contracting or contracted COVID-19 or become subject to restricted measures. For more details, see “Risk Factors—Risks relating to our general operations—We face risks related to natural disasters, health epidemics and other outbreaks, such as the outbreak of COVID-19, which could significantly disrupt our operations.”

### Regulatory Developments

The regulatory environment in the PRC has been undergoing a number of recent changes and reforms in various areas, including recent publication of the Measures for Cyber Security Review (網絡安全審查辦法) and the Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)). After consulting with our PRC Legal Advisers, our Directors are of the view that such regulatory developments are not expected to have any material adverse impact on our business operations. Additionally, the CSRC published two draft regulations relating to overseas listing in December 2021, namely the Administrative Provisions of the State Council on the Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草稿徵求意見稿)) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (境內企業境外發行證券和上市備案管理辦法(徵求意見稿)), which imposed a number of regulatory requirements on the applicants of overseas listing. For details, please refer to “Risk Factors” and “Regulatory Overview” in this prospectus.

On May 9, 2022, the National Medical Products Administration (the “NMPA”) promulgated the Implementing Regulations of the Drug Administration Law of the PRC (Revised Draft for Comment) (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)) (the “**Draft Regulations**”), to seek public comments until June 9, 2022. As of the Latest Practicable Date, the Draft Regulations had not become effective.

The major purpose of the Draft Regulations is to promote the reform of the drug evaluation and approval system, strengthen the full-process supervision of drug safety, and provide more detailed implementation rules for the Drug Administration Law of the PRC (中華人民共和國藥品管理法) and the Vaccine Administration Law of the PRC (中華人民共和國疫苗管理法). The Draft Regulations stipulated, among other things, that third-party platform providers shall not directly participate in drug sales activities.

We conduct drug sales activities mainly through our various offline specialty pharmacies nationwide, in which we sell medicines to patients directly. We do not own any online drug transactions platform, nor do we serve as a third-party platform provider to provide services such as the provision of online drug transaction platform, drug deal matching and information publish services, for any third party to the online drug transactions. For details of our services, please refer to “Business—Overview—Our Services” in this prospectus.

Although the Draft Regulations and the Drug Administration Law of the PRC (中華人民共和國藥品管理法) do not specify a definition of “third-party platform provider for online drug transactions”,

---

## SUMMARY

---

according to the Rules on the Supervision and Management of Internet Sale of Drugs (draft for comments) (藥品網絡銷售監督管理辦法 (徵求意見稿)) published by the NMPA in 2020, a “third-party platform provider for online drug transactions” shall refer to any entity who provides services, such as the provision of online transaction platform, deal matching and information publish services, for the parties to the transactions so as to facilitate the sale of drugs through internet.

Based on the foregoing and the description of our drug sales activities, our PRC Legal Adviser confirms that it does not foresee the requirements proposed by the Draft Regulations that the third-party platform providers for online drug transactions shall not directly participate in drug sales activities would have any material adverse impact on us. Therefore, we do not foresee there will be any material impact on our operations or financial performance in the future if the Draft Regulations are implemented in the current form.

### **No Material Adverse Change**

Our Directors confirm that, other than as stated above, there has been no material adverse change in our business, financial condition and results of operations since June 30, 2022, being the latest balance sheet date of our consolidated financial statements as set out in the Historical Financial Information of the Group included in Appendix I to this prospectus, and up to the date of this document.

### **OUR FOUNDERS AND CONCERT PARTY AGREEMENT**

Mr. Ma and Mr. Li are our founders and our executive Directors. As of the Latest Practicable Date, Mr. Ma was able to exercise approximately 7.57% voting rights in our Company through Lucky Seven, Mr. Li was able to exercise approximately 5.31% voting rights in our Company through Spire-succession, and our Employee Incentive Platforms were able to exercise approximately 8.83% voting rights in our Company. On August 5, 2021, Mr. Ma, Mr. Li, Wise Approach, Creative Pioneer and Sail Far (the “**Concert Parties**”) entered into a concert party agreement pursuant to which, the Concert Parties confirm that they have been acting in concert in the management and operation of our Group since the establishment of our Group and will continue to act in concert in the management and operation of our Group. As of the Latest Practicable Date, the Concert Parties were entitled to exercise approximately 21.71% voting rights in our Company. The Concert Parties will be entitled to exercise approximately 21.43% voting rights in our Company immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option). For details, see “History, Reorganization and Corporate Structure” in this prospectus.

### **CONTINUING CONNECTED TRANSACTIONS**

We have entered into certain transactions which would constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules after the Listing. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in “Connected Transactions” in this prospectus.

### **CONTRACTUAL ARRANGEMENTS**

Due to foreign ownership restrictions under PRC laws, our Company is unable to own or hold 100% equity interest in the Consolidated Affiliated Entities conducting our online insurance brokerage service. Rather, we control the 100% equity interest in these entities through Contractual Arrangements, through which we are able to consolidate all the economic benefits enjoyed by the Registered Shareholders from the

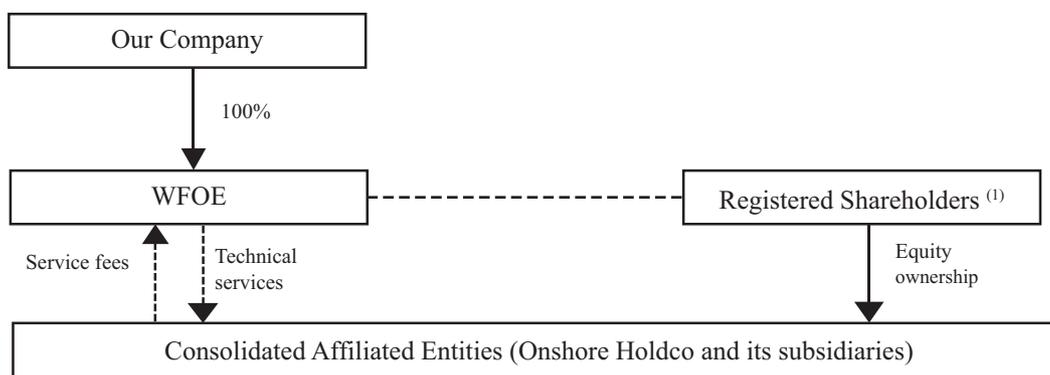


---

## SUMMARY

---

Consolidated Affiliated Entities. For details, see “Contractual Arrangements” in this prospectus. The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



*Notes:*

- (1) The Registered Shareholders are our Founders, the other previous individual shareholders of Lucky Seven (namely, LI Dayong, ZHANG Hongdan, LI Ran, LUO Wei and ZONG Ze) and several individual investors of our Company at early stage (namely LIU Xiujiang, ZHANG Hong and YANG Donghao). Our Founders owned approximately 71.81% share capital of the Onshore Holdco as of the Latest Practicable Date.
- (2) “—>” denotes direct legal and beneficial ownership in the equity interest.
- (3) “- - ->” denotes contractual relationship. Under the Contractual Arrangements, WFOE shall provide technical services to our Consolidated Affiliated Entities, and our Consolidated Affiliated Entities shall pay service fees to WFOE directly.
- (4) “-----” denotes the control by WFOE over the Registered Shareholders through (i) powers of attorney to exercise all shareholders’ rights in the Onshore Holdco, (ii) exclusive options to acquire all or part of the equity interests in the Onshore Holdco and (iii) equity pledges over the equity interests in the Onshore Holdco.

## APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the listing committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including those may be issued pursuant to the exercise of the Over-allotment Option) and the 2017 Plan Options 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 RMB3,473.9 million (equivalent to HK\$3,840.7 million) for the year ended December 31, 2021 which exceeds HK\$500 million, and (ii) our expected market capitalization at the time of Listing, which, based on the Offer Price, exceeds HK\$4 billion.

## LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB58.0 million (HK\$64.0 million) (including underwriting commissions), at the Offer Price of HK\$18.60 per Share, and assuming the Over-allotment Option is not exercised, representing approximately 34.7% of the gross proceeds of the Global Offering, comprising (i) underwriting-related expenses, including underwriting commission and other expenses, of RMB10.3 million; and (ii) non-underwriting-related expenses of RMB47.7 million, including (a) fees and expenses of Legal Advisors and Reporting Accountants of RMB34.1 million; and (b) other fees and expenses, of RMB13.6 million. As of June 30, 2022, we incurred a total of RMB41.5 million (HK\$45.9 million) in listing expenses, among which RMB40.9 million (HK\$45.2 million) were recognized in our consolidated statement of profit or loss and other comprehensive loss, and RMB0.6 million (HK\$0.7 million) were deducted from equity.

We estimate that additional listing expenses of approximately RMB16.5 million (HK\$18.1 million) (including underwriting commissions, incentives and other transaction fees of approximately

---

## SUMMARY

---

RMB7.5 million (HK\$8.2 million), assuming the Over-allotment Option is not exercised and based on the Offer Price of HK\$18.60 per Offer Share) will be incurred by us, approximately RMB9.0 million (HK\$9.9 million) of which is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately RMB7.5 million (HK\$8.2 million) of which is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses directly attributable to the issue of shares will be deducted from equity. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

### FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK\$18.60 per Share, we estimate that we will receive net proceeds of approximately HK\$120.4 million from the Global Offering after deducting the underwriting commissions and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. We will adjust the use of proceeds on a pro rata basis in the event that the Over-allotment Option is exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 87% of the net proceeds, or approximately HK\$104.8 million, is expected to be used for business expansion, including:
  - approximately 35% of the net proceeds, or approximately HK\$42.2 million, for further expansion of our Specialty Pharmacy Business;
  - approximately 28% of the net proceeds, or approximately HK\$33.7 million, for further expansion of our Physician Research Assistance business;
  - approximately 24% of the net proceeds, or approximately HK\$28.9 million, for further expansion of our Health Insurance Services business; and
- approximately 13% of the net proceeds, or approximately HK\$15.6 million, is expected to be used for our technology research and development as well as technology infrastructure enhancement.

For details, see “Future Plans and Use of Proceeds” in this prospectus.

### DIVIDEND POLICY

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

### OFFERING STATISTICS<sup>(1)</sup>

	<u>Based on an Offer Price of HK\$18.60 per Offer Share</u>
Market capitalization of our Shares upon completion of the Global Offering <sup>(2)</sup> . . . . .	HK\$ 14,192 million
Unaudited pro forma adjusted consolidated net tangible asset per Share as of June 30, 2022 <sup>(3)(4)</sup> . . . . .	HK\$ 2.70

Notes:

(1) All statistics in this table are on the assumption that the Over-allotment Option is not exercised.

---

## SUMMARY

---

- (2) The calculation of market capitalization is based on 763,025,314 Shares expected to be in issue immediately after completion of the Global Offering. The repurchase of 2,668,776 ordinary shares by the Company was made subsequent to the Track Record Period and therefore shall not be considered when deriving the market capitalization.
- (3) The pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Offer Share is calculated after making the adjustments referred to in “Financial Information—Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” and on the basis that 765,694,090 Shares were in issue assuming the Global Offering has been completed on June 30, 2022.
- (4) The pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Offer Share as at June 30, 2022 would then be further adjusted to RMB2.45 or HK\$2.71 (based on the estimated offer price of HK\$18.60), assuming that the repurchase of 2,668,776 ordinary shares by the Company in October 2022 (details are set out in note 44 to the Accountants’ Report in Appendix I to this Prospectus) had been completed as at June 30, 2022 and do not take into account any share (i) which may be issued and allotted pursuant to the exercise of the Overallotment Option or (ii) which may be issued and allotted to certain special purpose vehicles in order to facilitate the administration of employee incentive plans subsequent to June 30, 2022.

---

## DEFINITIONS

---

*In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings.*

<b>“2017 Plan”</b>	the amended and restated 2017 global share plan adopted by our Company, details of which are set out in “—D. Share Schemes” in Appendix IV to this prospectus
<b>“2017 Plan Option(s)”</b>	the option(s) granted by our Company under the 2017 Plan
<b>“Accountants’ Report”</b>	the accountant’s report of the Company, the text of which is set out in Appendix I to this prospectus
<b>“AE”</b>	adverse event
<b>“affiliate(s)”</b>	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
<b>“AFRC”</b>	the Accounting and Financial Reporting Council of Hong Kong
<b>“Articles” or “Articles of Association”</b>	the articles of association of our Company conditionally adopted on December 1, 2022 with effect from the Listing Date
<b>“associate(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Beijing Sipai Brokerage”</b>	Sipai (Beijing) Insurance Brokerage Co., Ltd. (思派 (北京) 保險經紀有限公司) (formerly known as Yuantong (Beijing) Insurance Brokerage Co., Ltd. (遠通 (北京) 保險經紀有限公司)), a company established under the laws of the PRC on November 18, 2004 and a wholly-owned subsidiary of our Company
<b>“Board”</b>	the board of Directors
<b>“business day”</b>	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
<b>“BVI”</b>	the British Virgin Islands
<b>“CAC”</b>	the Cyberspace Administration of China
<b>“Capital Market Intermediaries”</b>	the capital market intermediaries as named in “Directors and Parties Involved in the Global Offering”
<b>“Cayman Companies Act”</b>	the Companies Act (2022 Revision) (as amended, supplemented or otherwise modified from time to time) of the Cayman Islands
<b>“CBIRC”</b>	the China Banking and Insurance Regulatory Commission
<b>“CCASS”</b>	the Central Clearing and Settlement System established and operated by HKSCC

---

## DEFINITIONS

---

<b>“CCASS Clearing Participant”</b>	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
<b>“CCASS Custodian Participant”</b>	a person admitted to participate in CCASS as a custodian participant
<b>“CCASS EIPO”</b>	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give <b>electronic application instructions</b> via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving <b>electronic application instructions</b> through the CCASS Internet System ( <a href="https://ip.ccass.com">https://ip.ccass.com</a> ) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input <b>electronic application instructions</b> for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request
<b>“CCASS Investor Participant”</b>	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
<b>“CCASS Participant”</b>	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
<b>“China” or “the PRC”</b>	the People’s Republic of China, and for the purposes of this prospectus only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
<b>“Companies Ordinance”</b>	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
<b>“Companies (Winding Up and Miscellaneous Provisions) Ordinance”</b>	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
<b>“Company” or “our Company”</b>	Sipai Health Technology Co., Ltd. (思派健康科技有限公司) (formerly known as Medbanks Health Technology Co., Ltd. and ThinkGeek Network Technology Co., Ltd.), a company incorporated in the Cayman Islands with limited liability on May 19, 2015
<b>“Concert Party(ies)”</b>	Mr. Ma, Mr. Li, Creative Pioneer, Sail Far and Wise Approach
<b>“connected person(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“connected transaction(s)”</b>	has the meaning ascribed to it under the Listing Rules

---

## DEFINITIONS

---

<b>“Consolidated Affiliated Entity(ies)”</b>	Onshore Holdco and its subsidiaries and affiliated entities, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Contractual Arrangements
<b>“Contractual Arrangement(s)”</b>	the series of contractual arrangements entered into between, among others, the WFOE, the Consolidated Affiliated Entities and the Registered Shareholders, as detailed in “Contractual Arrangements” in this prospectus and as amended, restated, renewed, reproduced or joined from time to time
<b>“CRA”</b>	Clinical Research Associate, a professional responsible for activities related to medical research, particularly clinical trials
<b>“CRC”</b>	Clinical Research Coordinator, a person responsible for conducting non-clinical works under the guidance of, and as an assistant to, a principal investigator in clinical trials
<b>“Creative Pioneer”</b>	CREATIVE PIONEER INVESTMENTS LIMITED, a company incorporated in BVI with limited liability on May 31, 2021, one of the Employee Incentive Platforms pursuant to the 2017 Plan
<b>“Director(s)”</b>	the director(s) of our Company
<b>“Employee Incentive Platform(s)”</b>	Creative Pioneer, Sail Far and Wise Approach
<b>“Extreme Conditions”</b>	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
<b>“Founders”</b>	Mr. Ma and Mr. Li
<b>“Global Offering”</b>	the Hong Kong Public Offering and the International Offering
<b>“Governmental Authority”</b>	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
<b>“GP(s)”</b>	the general practitioner who treat common medical conditions and refer patients to hospitals and other medical services for urgent and specialist treatment
<b>“GREEN Application Form(s)”</b>	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider designated by our Company

---

## DEFINITIONS

---

<b>“Group”, “our Group”, “we” “us” or “our”</b>	the Company, its subsidiaries and the Consolidated Affiliated Entities from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
<b>“HK” or “Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“HK eIPO White Form”</b>	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the <b>IPO App</b> or the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
<b>“HK eIPO White Form Service Provider”</b>	the <b>HK eIPO White Form</b> service provider designated by our Company as specified in the <b>IPO App</b> or on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
<b>“HK\$”, “HK dollars” or “Hong Kong dollars”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“HKSCC”</b>	Hong Kong Securities Clearing Company Limited
<b>“HKSCC Nominees”</b>	HKSCC Nominees Limited
<b>“Hong Kong Offer Shares”</b>	the 992,000 Shares being initially offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in “Structure of the Global Offering” in this prospectus)
<b>“Hong Kong Public Offering”</b>	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and AFRC transaction levy of 0.00015%) on the terms and subject to the conditions described in this prospectus, as further described in “Structure of the Global Offering—The Hong Kong Public Offering” in this prospectus
<b>“Hong Kong Share Registrar”</b>	Tricor Investor Services Limited
<b>“Hong Kong Takeovers Code” or “Takeovers Code”</b>	Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
<b>“Hong Kong Underwriters”</b>	The underwriters of the Hong Kong Public Offering as listed in “Underwriting—Hong Kong Underwriters”
<b>“Hong Kong Underwriting Agreement”</b>	the underwriting agreement dated December 8, 2022 relating to the Hong Kong Public Offering, entered into by, among others, our Company, the Single Largest Group of Shareholders, the Joint Sponsors, the Overall Coordinators and the Hong Kong Underwriters, as further described in “Underwriting—Underwriting Arrangements—Hong Kong Public Offering—Hong Kong Underwriting Agreement”

---

## DEFINITIONS

---

“ICP license”	the value-added telecommunications business operating license for internet information service
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules to the knowledge of our Directors after all reasonable enquires
“innovative drugs”	an industry term, typically referring to the NMPA-approved drugs that contain new active moiety with clear structures, pharmacological effects and high clinical value. Currently, innovative drugs in the Chinese market include domestically developed innovative drugs and imported innovative drugs
“International Offer Shares”	the 8,927,400 Shares being initially offered for subscription under the International Offering together, where relevant, with any additional Shares that may be sold pursuant to any exercise of the Over-allotment Option (subject to reallocation as described in “Structure of the Global Offering”)
“International Offering”	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, as further described in “Structure of the Global Offering”
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement, expected to be entered into on or about December 15, 2022, relating to the International Offering, by, among others, our Company, the Single Largest Group of Shareholders, the Overall Coordinators and the International Underwriters, as further described in “Structure of the Global Offering—International Offering”
“IPO App”	the mobile application for the <b>HK eIPO White Form</b> service which can be downloaded by searching “ <b>IPO App</b> ” in App Store or Google Play or downloaded at <b>www.hkeipo.hk/IPOApp</b> or <b>www.tricorglobal.com/IPOApp</b>
“Joint Bookrunners”, “Joint Global Coordinators”, “Joint Lead Managers”	the joint bookrunners, the joint global coordinators, and the joint lead managers as named in “Directors and Parties Involved in the Global Offering”
“Joint Sponsors”	the joint sponsors of the Listing as named in “Directors and Parties Involved in the Global Offering”



---

## DEFINITIONS

---

<b>“Latest Practicable Date”</b>	December 5, 2022, being the latest practicable date for ascertaining certain information in this prospectus before its publication
<b>“Listing”</b>	the listing of the Shares on the Main Board
<b>“Listing Committee”</b>	the Listing Committee of the Stock Exchange
<b>“Listing Date”</b>	the date, expected to be on or about Friday, December 23, 2022, on which the Shares are to be listed and on which dealings in the Shares are to be first permitted to take place on the Stock Exchange
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Lucky Seven”</b>	Lucky Seven Healthcare Co., Ltd., a limited liability company incorporated under the laws of BVI on May 14, 2015, and is ultimately controlled by Mr. Ma
<b>“Main Board”</b>	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
<b>“MediGeek Network”</b>	MediGeek Network Technology Co., Limited, a limited liability company incorporated under the laws of Hong Kong on May 29, 2015, a wholly-owned subsidiary of our Company
<b>“Memorandum” or “Memorandum of Association”</b>	the memorandum of association of our Company conditionally adopted on December 1, 2022, with effect from the Listing Date
<b>“MIIT”</b>	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
<b>“MOFCOM”</b>	the Ministry of Commerce of the PRC (中華人民共和國商務部)
<b>“Mr. Li”</b>	Mr. LI Ji (李繼), an executive Director and the president of our Company
<b>“Mr. Ma”</b>	Mr. MA Xuguang (馬旭廣), an executive Director, Chairman of the Board and the Chief Executive Officer of our Company
<b>“Offer Price”</b>	HK\$18.60 per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and AFRC transaction levy of 0.00015%)
<b>“Offer Share(s)”</b>	the Hong Kong Offer Shares and the International Offer Shares, together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option

---

## DEFINITIONS

---

<b>“Onshore Subsidiary(ies)”</b>	the subsidiary(ies) of Onshore Holdco
<b>“Overall Coordinators”, “Sponsor-Overall Coordinators”</b>	the overall coordinators and sponsor-overall coordinators as named in “Directors and Parties Involved in the Global Offering”
<b>“Over-allotment Option”</b>	the option expected to be granted by our Company to the International Underwriters, exercisable by the Overall Coordinators on behalf of the Capital Market Intermediaries and the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, being Saturday, January 14, 2023 to require our Company to allot and issue up to 1,487,800 additional Shares (representing approximately 15.0% of the initial Offer Shares) to the International Underwriters to, cover over-allocations in the International Offering, if any, details of which are described in “Structure of the Global Offering—Over-allotment Option”
<b>“PI(s)”</b>	principal investigator(s)
<b>“PRC Legal Adviser”</b>	Jingtian & Gongcheng, our legal adviser as to PRC laws
<b>“Preferred Shares”</b>	the preferred share(s) allotted and issued to the Pre-IPO Investors pursuant to the Pre-IPO Investment, which will be automatically converted into the Ordinary Shares with the par value of US\$0.0001 each upon completion of the Global Offering, the details are set out in “History, Reorganization and Corporation Structure”
<b>“Pre-IPO Investment(s)”</b>	the investment(s) in our Company undertaken by the Pre-IPO Investors prior to the Global Offering, the details of which are set out in “History, Reorganization and Corporate Structure”
<b>“Pre-IPO Investor(s)”</b>	the investors in our Company prior to the Global Offering as named in “History, Reorganization and Corporate Structure—Pre-IPO Investments—Information about our Pre-IPO Investors”
<b>“Registered Shareholders”</b>	the registered shareholders of the Onshore Holdco, being our Founders, the other previous individual shareholders of Lucky Seven (namely, LI Dayong, ZHANG Hongdan, LI Ran, LUO Wei and ZONG Ze) and several individual investors of our Company at early stage (namely LIU Xiujiang, ZHANG Hong and YANG Donghao)
<b>“Regulation S”</b>	Regulation S under the U.S. Securities Act
<b>“Reorganization”</b>	the corporate restructuring of the Group in preparation for the Listing, as described in “History, Reorganization and Corporate Structure—Reorganization” in this prospectus
<b>“RMB” or “Renminbi”</b>	Renminbi, the lawful currency of China

---

## DEFINITIONS

---

<b>“RSU Scheme”</b>	The restricted share unit scheme adopted by our Company in 2021, details of which are set out in “—D. Share Schemes” in Appendix IV to this prospectus
<b>“RWS”</b>	real-world study investigating health interventions whose design does not follow the design of a randomized controlled trial and aims to reflect health intervention effectiveness in routine clinical practice
<b>“SAFE”</b>	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
<b>“Sail Far”</b>	Sail Far Holdings Limited, a company incorporated in BVI with limited liability on June 1, 2021, one of the Employee Incentive Platforms pursuant to the RSU Scheme
<b>“SAMR”</b>	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
<b>“SASAC”</b>	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
<b>“SAT”</b>	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
<b>“SFC”</b>	Securities and Futures Commission of Hong Kong
<b>“SFO” or “Securities and Futures Ordinance”</b>	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>“Share(s)” or “Ordinary Share(s)”</b>	ordinary share(s) in the capital of our Company with a nominal value of US\$0.0001 each
<b>“Sipai Beijing Network” or “Onshore Holdco”</b>	Sipai (Beijing) Network Technology Co., Ltd. (思派(北京)網絡科技有限公司), a company established under the laws of the PRC on March 28, 2014 and a wholly-owned subsidiary of our Company
<b>“Sipai Healthcare Investment” or “WFOE”</b>	Sipai Healthcare Investment Co., Ltd. (思派健康產業投資有限公司), a company established under the laws of the PRC on March 8, 2019, a wholly-owned subsidiary of our Company
<b>“Shareholder(s)”</b>	holder(s) of our Share(s)
<b>“SMO”</b>	site management organization, an organization that provides clinical trial related services to medical device companies having adequate infrastructure and staff to meet the requirements of the clinical trial protocol
<b>“Stabilizing Manager”</b>	Morgan Stanley Asia Limited
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited

---

## DEFINITIONS

---

<b>“subsidiary” or “subsidiaries”</b>	has the meaning ascribed to it in section 15 of the Companies Ordinance
<b>“substantial shareholder(s)”</b>	has the meaning ascribed to it in the Listing Rules
<b>“Tencent”</b>	Tencent Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 700)
<b>“Tencent Group”</b>	Tencent, its subsidiaries and its consolidated affiliated entities
<b>“Track Record Period”</b>	the three years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2022
<b>“U.S.”, “US” or “United States”</b>	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
<b>“U.S. dollars”, “US dollars” or “US\$”</b>	United States dollars, the lawful currency of the United States
<b>“U.S. SEC”</b>	the Securities and Exchange Commission of the United States
<b>“U.S. Securities Act”</b>	United States Securities Act of 1933 and the rules and regulations promulgated thereunder
<b>“Underwriters”</b>	the Hong Kong Underwriters and the International Underwriters
<b>“Underwriting Agreements”</b>	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
<b>“VAT”</b>	value-added tax
<b>“Wise Approach”</b>	WISE APPROACH INVESTMENTS LIMITED, a company incorporated in BVI with limited liability on May 31, 2021, one of the Employee Incentive Platforms pursuant to the 2017 Plan
<b>“%”</b>	per cent

---

## FORWARD-LOOKING STATEMENTS

---

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

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

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

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

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

---

## RISK FACTORS

---

*An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the “Financial Information” section, before deciding to invest in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such an event, the market price of our Shares could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.*

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

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry, comprising (a) risks relating to our business; (b) risks relating to government regulations; (c) risks relating to our intellectual property rights; (d) risks relating to our financial position and need for additional capital; and (e) risks relating to our general operation; (ii) risks relating to our corporate structure and Contractual Arrangements; (iii) risks relating to doing business in the PRC; and (iv) risks relating to the Global Offering.

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

#### Risks Relating To Our Business

***A majority of our revenue comes from our Specialty Pharmacy Business service, and we may be unable to attract and retain customers, provide superior customers experience, maintain customers’ trust or continuously increase our brand awareness in our Specialty Pharmacy Business service.***

Our Specialty Pharmacy Business service include specialty pharmacies and pharmacist services. In 2019, 2020, 2021 and the six months ended June 30, 2022, our revenue from Specialty Pharmacy Business service accounted for 83.1%, 91.9%, 90.3% and 87.2% of our total revenue, respectively.

Our ability to continue to attract and retain customers depends on our ability to provide superior customers experience, maintain customers’ trust and increase our brand awareness in our Specialty Pharmacy Business service. In order to do so, we need to continue to provide a wide selection of prescription medicines and high-value healthcare products, maintain the quality of products, source products that are responsive to customer demands, ensure timely and reliable delivery, flexible payment options and superior pharmacist services. Such ability, in turn, depends on a variety of factors beyond our control. In particular, we rely on a number of third-party pharmaceutical manufacturers and distributors in the provision of pharmaceutical and healthcare products for our specialty pharmacies. Their failure to provide high-quality products in a timely manner may adversely affect our customers’ receptiveness of, and willingness to purchase, our products and services, which may damage our reputation and cause us to lose customers.

---

## RISK FACTORS

---

***We may fail to properly manage, create values or maintain a symbiotic ecosystem for various participants in the healthcare industry, including patients, doctors, medical institutions, pharmaceutical companies and payers.***

Our results of operations depend on our ability to manage, create value and maintain a symbiotic ecosystem for various participants in the healthcare industry and to generate more monetization opportunities. We provide these participants, including patients, doctors, medical institutions, pharmaceutical companies and payers, with integrated networks and services to help them create value. However, we cannot assure you that we are able to continuously manage, create value and maintain a symbiotic ecosystem for such participants, or at all. Those participants may consider our networks and services ineffective.

***We may fail to effectively develop and market new services.***

We intend to continue expanding our service offerings. To develop and market our new services successfully, we must accurately assess and meet customer needs, make significant capital expenditures, optimize our product development process, predict and control costs, attract train and retain the necessary personnel, obtain required license or regulatory clearances or approvals, increase customer awareness and acceptance of our services, provide services of a high quality and in a timely manner, price our services competitively, and effectively incorporate customer feedback into our business planning. Any single failure during the process may result in an ultimate failure to launch new services.

***We may not be able to manage the growth of our business and operations or implement our business strategies successfully.***

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

We are also continually executing a number of new initiatives, strategies and operating plans designed to enhance our business. See “Business—Our Strategies” in this prospectus. These initiatives are new and evolving, some of which are still at the inception or pilot trial stage and may prove unsuccessful. We may not be able to successfully implement these new business initiatives, strategies and operating plans and realize all of the benefits that we expect to achieve or it may be more costly to do so than we anticipate.

In addition, we may seek and pursue opportunities via joint ventures or strategic partnerships for expansion from time to time, and we may face similar risks and uncertainties as listed above. Failure to properly address these risks and uncertainties may impair our ability to carry out acquisitions and other expansion plans, integrate and consolidate newly acquired or newly formed businesses, and realize all or any of the anticipated benefits of such expansion.

***We have historically incurred net losses and may not be able to achieve or maintain profitability sustainably.***

We began commercial operations in 2014 and, during the Track Record Period, had experienced net losses. In 2019, 2020, 2021 and the six months ended June 30, 2022, we had a net loss before tax of

---

## RISK FACTORS

---

RMB596.0 million, RMB1,040.9 million and RMB3,747.7 million and RMB344.4 million, respectively. We expect our operating expenses to increase in the future as we expand our operations. Furthermore, after the Global Offering, we may incur additional compliance, accounting, and other expenses that we did not incur as a private company. If our revenue does not grow at a greater rate than our expenses, we may not be able to achieve and maintain profitability. We may incur considerable losses in the future for various reasons, many of which may be beyond our control. Additionally, we may encounter unforeseen expenses, operating delays, or other unknown factors that may result in losses in the future. If our cost of sales and expenses continuously exceed our revenue, our business may be materially and adversely affected and we may not be able to achieve or maintain profitability. Please see “Financial Information—Business Sustainability and Working Capital Sufficiency” in this prospectus for details of our plan to achieve profitability.

***We had cash outflow from operating activities during the Track Record Period and may continue to experience net operating cash outflow in the foreseeable future.***

We had net cash used in operating activities of RMB327.2 million, RMB192.1 million, RMB621.9 million and RMB215.0 million in 2019, 2020, 2021 and six months ended June 30, 2022, respectively, and we expect that we may not be able to achieve or sustain operating cash inflows for the foreseeable future. Although we believe we have sufficient working capital to fund our operations, if in any case we are unable to maintain adequate liquidity for operating activities, we may not be able to fund our research and development and commercialization activities and to meet our capital expenditure requirements, which may have a material adverse effect on our business prospects, financial condition and results of operations.

***We had net liabilities during the Track Record Period.***

As of December 31, 2019, 2020, 2021 and June 30, 2022, we had net liabilities of RMB1,006.9 million, RMB1,791.6 million, RMB5,430.9 million and RMB6,062.9 million. Our net liabilities as of December 31, 2019, 2020, 2021 and June 30, 2022 was primarily in relation to the convertible redeemable preferred shares of RMB1,774.1 million, RMB3,618.7 million, RMB7,434.8 million and RMB7,914.4 million as of the same date, respectively. Although the convertible preferred shares will automatically convert into ordinary shares upon the completion of the Global Offering, and no further loss or gain on fair value changes is expected to be recognized afterwards, we cannot assure you that we will not record net liabilities in the future. A net liabilities position can expose us to the risk of shortfalls in liquidity. This in turn would require us to seek adequate financing from sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. If we are unable maintain adequate working capital or obtain sufficient equity or debt financings to meet our capital needs, we may be unable to continue our operations according to our plans and be forced to scale back our operations, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

***Our Specialty Pharmacy Business service involves sale of prescription drugs that is subject to stringent scrutiny, which may expose us to risks and challenges.***

Sale of prescription drugs is subject to stringent scrutiny in China. In particular, under *the Administrative Measures for the Supervision and Administration of Circulation of Pharmaceuticals* (《藥品流通監督管理辦法》), a company is prohibited from selling prescription drugs to consumers without prescription. According to *Drug Administration Law of the People’s Republic of China* (《中華人民共和國藥品管理法》), a company engaging in drug retail shall verify prescriptions, and drugs listed in a prescription shall not be arbitrarily changed or substituted. Where a prescription has incompatibility or excessive dosage,



---

## RISK FACTORS

---

the pharmacist shall refuse to dispense, the prescription may be dispensed only upon correction or resigning by the prescribing physician if necessary. In addition, none of the drugs which are subject to the State's special control may be sold online, such as vaccines and blood products. Any failure to comply with these stringent laws and regulations could subject us to disciplinary warnings and administrative penalties.

***Our Specialty Pharmacy Business service may face increasingly fierce competition as new entrants continue to join and existing competitors continue to expand their pharmacy reach.***

During the Track Record Period, most of our revenue of Specialty Pharmacy Business service was generated from our specialty pharmacy business through sales of specialty medicines. However, we cannot assure you that we are able to maintain our competitive advantages in the specialty pharmacy market as the market is developing and changing rapidly. New entrants continue to join and existing competitors continue to expand their pharmacy reach. Some of these competitors may have better resources and expertise than us. Furthermore, if our competitors succeed to establish stronger collaborative relationship with prescription medicine suppliers or if they can better meet the demand of patients than we do, we may lose our existing customers or face difficulties to attract new customers.

***Sales of pharmaceutical and healthcare products and provision of pharmacist services is subject to a variety of risks.***

Revenue generated from our Specialty Pharmacy Business service are primarily from our specialty pharmacy, the sales of pharmaceutical and healthcare products is subject to a variety of risks, including:

- inability to successfully execute effective marketing and promotional programs necessary to maintain and increase awareness of our brand and products, to the extent permitted by applicable PRC laws and regulations;
- failure to implement effective pricing and other strategies in response to market competition;
- inability to respond to changes in demand and preferences of our customers in a timely manner;
- inability to stock an adequate supply of pharmaceutical and healthcare products that meet the demand of our customers;
- our inability to obtain and maintain regulatory or governmental permits, approvals and clearances, or to pass PRC government inspections or audits;
- the risk of, and resulting liability from, any contamination, injury or other harm caused by any use, misuse or misdiagnosis involving products sold or healthcare services provided by us; and
- the risk related with in-time delivery, and quality of cold-chain delivery.

The occurrence of any such risks may cause a decrease in our sales or demand for our services, and impair our overall business and reputation.

Besides the specialty pharmacy business, our Specialty Pharmacy Business also provides our members access to medicine guidance and AE consultation. Though all our service providers are licensed and experienced pharmacists, we cannot assure that our guidance are appropriate as individual situation varies case by case. In addition, we may be subject to liability for the guidance or advice we provide to patients.

---

## RISK FACTORS

---

***We face a variety of risks associated with our suppliers.***

We source the pharmaceutical and healthcare products from our suppliers, primarily pharmaceutical and healthcare products companies or their distributors. We could be materially and adversely impacted if (i) we are unable to continue sourcing sufficient volumes of quality pharmaceutical and healthcare products from our current suppliers; (ii) our suppliers fail to supply sufficient quantities of pharmaceutical and healthcare products on time or supply products that do not meet the relevant quality standards; (iii) our purchase price fluctuates due to changes in the pharmaceutical market and relevant policies and regulations; (iv) our suppliers fail to deliver in time; or (v) we are unable to maintain our existing relationships with these suppliers and continue to be able to source pharmaceutical and healthcare products in stable quantities and at reasonable prices or at all. A termination or modification to any of these relationships could adversely affect our product supply. Moreover, products sold by us may be manufactured with ingredients that are susceptible to supply shortages. Going forward, as the scale of our business continues to grow, there can be no assurance that we will be able to expand our sourcing network to include new suppliers on reasonable terms and prices. In addition, we rely on limited suppliers, which may harm our operations if the supplier loses its qualification or eligibility because of its failure to comply with regulatory requirements or stops our supply due to contractual disputes. In 2019, 2020, 2021 and the six months ended June 30, 2022, our top five suppliers accounted for 70.5%, 70.5%, 71.9% and 73.5% of our total purchases, respectively. Purchases from our largest supplier accounted for 27.6%, 32.1%, 37.2% and 39.1% of our total purchases during each of these periods. If any of these suppliers loses its qualification or eligibility because of its failure to comply with regulatory requirements, we may not be able to find alternative suppliers in a timely manner or at all, which may cause delay in supply. If we are unable to identify alternative suppliers and secure approval for their use in a timely manner, our business could be harmed.

Some of the pharmaceutical and healthcare products that we sell are manufactured in whole or in substantial part outside of China. In most cases, such products or merchandise are imported by our suppliers and sold to us. As a result, significant changes in tax or trade policies, tariffs or trade relations between China and other countries or any changes in their local policies, such as the imposition of unilateral tariffs on imported products, any negative sentiments towards China in response to increased import tariffs and other changes in China's trade regulations, could result in significant increases in our costs, restrict our access to suppliers, and depress economic activity. In addition, our suppliers are primarily independent third parties that are subject to their own operational and financial risks that are outside our control, which in turn, could adversely impact our performance.

***Some of our specialty pharmacies are acquired from third parties, which may causes risks related to integration efficiency and compliance management.***

To expand our specialty pharmacy network, we may from time to time select and acquire specialty pharmacies from third parties in compliance with the requirements under relevant laws and regulations as well as our internal guidelines. The integration of the specialty pharmacies or any future acquisitions may expose us to certain risks, such as the incurrence of anticipated and unforeseen costs, expenses and liabilities (including latent or potential liabilities that relate to the time prior to our acquisitions), difficulties in integrating the acquired pharmacies in a timely and cost-effective manner or maintaining standard control policies and procedures across our businesses, difficulties in establishing effective management information and financial control systems, and unforeseen legal, regulatory, contractual or other issues. Furthermore, our potential acquisitions in the future may be adversely affected by regulatory or governmental scrutiny. If we fail to successfully integrate recent and potential future acquisitions, or if we encounter any difficulties due to tightened regulatory or governmental scrutiny,

---

## RISK FACTORS

---

our performance will be adversely affected. Although we apply our stringent compliance protocol after acquisition, however, we may fail to identify all prior non-compliance of these acquired specialty pharmacies, which may result in high compliance and operation risks.

***We may fail to manage our inventory effectively.***

Our proprietary pharmacy management system is able to adjust inventory level based on key factors including sales, product mix and patient medical situation. Relying on these systems, we have monitored and managed our inventories in a timely manner. However, we cannot assure you that we will be able to effectively manage our inventory going forward. As of December 31, 2019, 2020, 2021 and June 30, 2022, we had inventories of RMB211.2 million, RMB279.9 million, RMB269.0 million and RMB279.1 million, respectively. In addition, inventories are scatteringly stored at our pharmacy storefronts, which makes it difficult for us to manage our inventory in a timely and comprehensive manner. In line with our plan to continue expanding our pharmacy networks and product offerings, we expect to include more products in our inventory and expand storage volume, which will put more pressure on our warehousing system. Inventory levels in excess of customer demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. If we fail to manage our inventory effectively or store our inventory in a proper manner, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. Conversely, if we underestimate customer demand, or if our suppliers fail to provide products to us in a timely manner, we may experience inventory shortages, which may, in turn, require us to acquire inventories at higher costs or result in unfulfilled customer orders, which may lead to a negative impact on our financial condition and user relationships.

***We may become subject to product liability claims arising from Specialty Pharmacy Business service, which could cause us to incur significant expenses and be liable for significant damages if not covered by insurance.***

We are exposed to risks inherent in marketing, distributing and selling pharmaceutical and healthcare products and providing healthcare services in China. Claims, customer complaints or administrative penalties may arise if any of our products are deemed or proven to be unsafe, ineffective or defective, or they are found to contain illicit substances. We may also be subject to allegations of having engaged in practices such as sale of counterfeit and substandard medicines or other healthcare products, or providing inadequate warnings or insufficient or misleading disclosures of side effects.

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

In addition, any claim made against us could cause negative publicity, impairment of customers' confidence in us, and significant decrease in sale. For claims made against us that are not fully covered by insurance, we may have to afford expensive defense costs and substantial damages against us. In the event that such product liability claims are attributable to our suppliers or business partners, there can be no assurance that we will obtain full indemnification from them. Even if we do, our reputation may still be severely impaired.

---

## RISK FACTORS

---

***We could be adversely affected by a decrease in the introduction of new brand name drugs and generic prescription drugs as well as increase in the cost to procure prescription drugs.***

The profitability of our specialty pharmacy business partially depends upon the consumption of prescription drugs. The revenue from our specialty pharmacies is generated from sales of prescription drugs the consumption of which may be impacted by various factors including the introduction of new drug with same or similar indication, the price of the drug and consumption pattern of patients, and the consumption trend. Consumption trends are affected by, among other factors, the introduction of new and successful prescription drugs as well as lower-priced generic alternatives to existing brand name drugs. Inflation in the price of drugs also can adversely affect utilization. New brand name drugs can result in increased drug utilization and associated sales, while the introduction of lower priced generic alternatives typically results in relatively lower sales. Accordingly, a decrease in the number or magnitude of significant new brand name drugs or generics successfully introduced, delays in their introduction, or a decrease in the utilization of previously introduced prescription drugs, could adversely affect our results of operations. Additionally, an increase in the cost to procure prescription drugs may adversely impact our gross profit margins to the extent we are unable to offset such cost increases. Moreover, we may fail to take effective precaution actions as any future changes in drug prices could significantly deviate from our anticipation.

***Some pharmaceutical products offered by us are subject to and will continue to be subject to centralized procurement policies in China.***

The State Council and other relevant authorities issued a series of policies on deepening the reform of medical and healthcare system since 2019. According to the *Notice on Issuance of the Pilot Plan Regarding the Organization of Centralized Procurement and Use of Drugs* (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》) by the State and the *Implementation Opinions on Region Expansion of the Organization of Centralized Procurement and Use of Drugs by the State* (《關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見》), the State planned to organize centralized procurement and use of certain types of pilot drugs to lower drug price, reduce the burden on patients of drug costs, and lower the transaction costs of pharmaceutical enterprises. In 2021, the State further published an updated policy *Opinion on Promoting the Normalization and Institutionalization of Centralized Volume-Based Procurement of Drugs* (《國務院辦公廳關於推動藥品集中帶量採購工作常態化制度化開展的意見》) to solidify the centralized procurement scheme. For details, see “Regulatory Overview—Regulations Relating to Price Control of Drugs.” Although such policies may lower the transaction costs of the pharmaceutical enterprises and increase the amount of drugs purchased, they may also reduce the sales prices of drugs sold in our specialty pharmacies, resulting in decrease of our sales revenue as well as other financial metrics.

***Our business generates and processes a large amount of data, and improper use or disclosure of such data could harm our reputation, business and prospects.***

Our business generates and processes a large amount of personal, transaction, demographic and behavioral data. We face risks inherent in handling large volumes of data and in securing and protecting such data, among which risks relating to our business operations include the following:

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

---

## RISK FACTORS

---

Data-related regulatory requirements are constantly evolving and can be subject to significant change, making the extent of our responsibility in that regard uncertain. Under certain regulations, rules and measures promulgated by the Ministry of Industry and Information Technology, or the MIIT, since 2011, any collection and use of a customer's personal information by an internet services provider must be subject to the consent of the customer, abide by the principles of legality, rationality and necessity, and be within the specified purposes, methods and scopes. The internet services provider must keep all information collected strictly confidential and is prohibited from divulging, tampering with or destroying any such information, or selling or providing such information to other parties. In particular, the *Cyber Security Law of the People's Republic of China* (《中華人民共和國網絡安全法》), or the *Cyber Security Law*, which took effect on June 1, 2017, is formulated to maintain network security, safeguard the cyberspace sovereignty, national security and public interests, protect the lawful rights and interests of citizens, legal persons and other organizations, and further enhance personal information protection, such as through requirements on the collection, use, processing, storage and provision of personal information. With respect to the healthcare data, in May 2014, the National Health and Family Planning Commission of the PRC, or the NHFPC (currently known as the National Health Commission of the PRC, or the NHC) promulgated the *Measures for Administration of Population Health Information (Trial)*, (《人口健康信息管理辦法(試行)》), the medical institution shall be responsible for collection, management, utilization, safety and privacy protection of population healthcare information which includes the medical service information. Additionally, in July 2018, the NHC promulgated the *Administrative Measures Regarding National Healthcare Big Data Standards, Safety and Service Management (Trial)* (《國家健康醫療大數據標準、安全和服務管理辦法(試行)》), or *Administrative Measures of Healthcare Big Data*, to further standardize the standard management, security management and service management of the healthcare data produced in the course of disease treatment and health management. Moreover, a series of new laws and regulations, including the *Data Security Law of the PRC* (中華人民共和國數據安全法) promulgated by the Standing Committee of the National People's Congress on June 10, 2021 and effective from September 1, 2021, the PRC Personal Information Protection Law (中華人民共和國個人信息保護法) promulgated by the Standing Committee of the National People's Congress on August 20, 2021 and effective from November 1, 2021, set higher regulatory requirements on the entities conducting data processing activities. For details, see "Regulatory Overview—Regulations Relating to Personal Information or Data Protection." Since the aforementioned laws and relevant regulations, rules and measures are relatively new, there are uncertainties as to the interpretation and application of these laws and regulations, and it is possible that our data protection practices are or will be inconsistent with regulatory requirements. Any violation of the provisions and requirements under these laws, regulations, rules and measures may subject us to warnings, fines, confiscation of illegal gains, revocation of licenses, suspension of business, shutting down of websites or even criminal liabilities. Complying with such requirements could cause us to incur substantial expenses or to alter or change our practices in a manner that could harm our business. Any system failure or security breach or lapse that results in the unauthorized release of our customer data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability. Any failure, or perceived failure, by us to comply with our privacy policies or with any applicable regulatory requirements or privacy protection-related laws, rules and regulations could result in proceedings or actions against us by governmental entities or others. These proceedings or actions may subject us to significant penalties and negative publicity, require us to change our business model or practices, increase our costs and severely disrupt our business.

---

## RISK FACTORS

---

***Public scrutiny of internet privacy and security issues may result in increased regulation and tightening industry standards, which could deter or limit us from providing our products and services to our customers, thereby harming our businesses.***

Regulatory requirements regarding the protection of such data are constantly evolving and can be subject to significant change, making the extent of our responsibility in that regard uncertain. Our business, including our ability to operate, could be adversely affected if legislation or regulations are adopted, interpreted or implemented in a manner that is inconsistent with our current business practices and that require changes to these practices, the design of our websites, products and services, features or our privacy policies. In particular, the success of our business has been, and we expect will continue to be, driven by our ability to responsibly gather and process data from our customers. Therefore, our business could be harmed by any significant change to applicable laws, regulations or industry standards or practices regarding the storage, use or disclosure of data our customers share with us, or regarding the manner in which the express or implied consent of customers for such collection, analysis and disclosure is obtained. Such changes may require us to modify our services, possibly in a material manner, and may limit our ability to develop new kinds of services and features. If we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, among other sanctions, which could materially and adversely affect our business and results of operations.

As we are expanding our operations, we may be subject to additional laws in other jurisdictions where our customers and business partners are located. The laws, rules and regulations of other jurisdictions may impose on us more stringent or conflicting requirements with harsh penalties for non-compliance than those in the PRC, and the compliance with such requirements could require significant resources and result in substantial costs.

***Our ability to access, process and analyze data from various sources could be restricted, which may in turn adversely impact our ability to deliver our services and solutions.***

The optimal performance of our data analytics algorithms and our solutions built thereupon depends on the breadth and depth of the data set that we process. We obtain the right to use and generate insights from the de-identified data set through our solution and service offerings to participants in the healthcare industry and we use the data set to enrich our knowledge graphs and develop and refine the functions and features of our services and solutions. Our ability to access and use these types of data is limited by a number of factors including:

- existing law, regulations, policies and industry standards on privacy and data protection regimes and on access, process and analysis of healthcare data by third parties retained and new developments therein;
- our ability to secure appropriate consent to use the data underlying our services and solutions in a timely manner;
- user choices, including the mobile users' modifications to privacy settings; and
- interruptions, failures or defects in our data aggregation, mining, analysis and storage systems.

Any of the above described limitations on our ability to successfully access, aggregate and analyze data could materially impair the performance of our algorithms, which could make our solutions and services less attractive to customers, result in damages to our reputation and a decline of our market share.

---

## RISK FACTORS

---

***Pharmaceutical companies may reduce their spending on pharmaceutical R&D services and adversely affect our Physician Research Assistance business.***

The success of our Physician Research Assistance service, primarily consisting of our SMO service, depends primarily on the number and size of service contracts with our customers, who are mostly pharmaceutical companies. Over the past several years, we have benefited from increasing demand for our services from our customers because of the continued growth of the global pharmaceutical market, increasing research and development budgets of our customers, and a greater degree of outsourcing by our customers. There can be no assurance that these industries will continue to grow at the rates we expect. Any slowing or reversal of any of these trends could have a significant adverse effect on the demand for our services. Furthermore, if investments in pharmaceutical industries were to decrease, the demand for outsourced pharmaceutical R&D services from companies in such industries may also decrease.

In addition to the foregoing industry trends, our customers' willingness and ability to utilize our services are also subject to, among other things, their own financial performance, changes in their available resources, their capacity to acquire in-house discovery, testing, development or commercial manufacturing, their spending priorities, their budgetary policies and practices, their ability to comply with laws applicable to them, and their need to develop new pharmaceutical products. In addition, consolidation in the industries in which our customers operate may have an impact on such spending as our customers integrate acquired operations, including their R&D departments and their budgets. Meanwhile, changes in relevant regulations and policies may also impact our Physician Research Assistance services. For details, see “—Risks Relating to Government Regulation—Changes in laws, government regulations or in practices relating to the pharmaceutical and biotechnology industries could decrease demand for our Physician Research Assistance service, and compliance with new regulations may result in additional costs.”

***We may fail to attract, train, motivate and retain skilled pharmacists, CRCs, technical and project management personnel in a cost-effective manner.***

As the key to success of our business, we intend to continue to attract and retain skilled personnel. However, as there is a limited supply of qualified personnel with the necessary experience and expertise, we have to provide competitive compensation and benefits packages to attract and retain talent. We cannot assure you that we will always be able to hire and retain the requisite number of qualified personnel to keep pace with our anticipated growth while maintaining consistent service quality. We may get exposure to the risk of continuous increase in staff expenses along with the growth our business. In addition, we may not always be successful in training our professionals to quickly adapt to technological advances, evolving standards and changing customer needs, and the quality of our services may therefore be severely affected.

***Our Physician Research Assistance service may suffer, if the clinical trials fail to enroll suitable participants, or any of these participants incur personal injury or other harms from drugs tested on them.***

Our SMO service includes participant enrollment and management provided to pharmaceutical companies. Leveraging our data insight, we are able to shorten the time required for locating adequate participants. However, our participant enrollment services for clinical trials may nevertheless be affected by a number of factors, some of which are beyond our control. Any failure to locate sufficient participants in time may result in breach of service agreements, and further impair our reputation and

---

## RISK FACTORS

---

relationship with pharmaceuticals. Factors that could impact our participants enrollment performance include but not limited to the following:

- severity of the disease under investigation;
- total size and nature of the relevant participant population;
- design and eligibility criteria for the clinical trial in question;
- perceived risks and benefits of the drug candidate under study;
- participant referral practices of doctors and hospitals;
- availability of competing therapies also undergoing clinical trials;
- our customers' efforts to screen and recruit eligible participants;
- proximity and availability of clinical trial sites for prospective participants; and
- occurrence of any health epidemic or other public events, such as the COVID-19 outbreak, that could deter participants from participating in clinical activities.

Some of our competitors may have ongoing clinical trials for drug candidates that treat the same indications as the drug candidates tested by our pharmaceutical company clients. As a result, participants who would otherwise be eligible for the clinical trials held by our customers may instead enroll in the clinical trials of our competitors' drug candidates, which may further elevate the challenges we face.

Even if we enroll sufficient participants for our customers, our involvement as a recruiter in clinical trials, which involve inherent risks of inflicting harm to the health of participating participants, could expose us to potential claims, lawsuits, and liabilities. If any of these participants incur personal injury or other harms from drugs tested on them, we as the recruiter may be brought into legal proceedings claiming for damages, penalties or else. Any of these claims and actions could be time consuming and costly to defend and distracting to our management, and, even if not founded or supported, could hurt our reputation, harm our Physician Research Assistance business and adversely impact on our results of operations.

***Some of our service contracts of our Physician Research Assistance service are contingent on successful completion of mutually agreed milestones, and we may bear financial risks related to our failures to accomplish such milestones on schedule.***

With respect to our Physician Research Assistance service, we generate fee income primarily for the SMO services we provide. Under certain of our project-based contracts or work orders, we recognize revenue upon completion of milestones, either in the form of pre-set steps, delivery and acceptance of the study results and/or other deliverables or critical points in the drug discovery, development or manufacturing process. Therefore, if we fail to deliver services in accordance with our contractual requirements, experience cost overruns or underprice these contracts due to competitive pressures, we could be subject to significant costs or liability and our reputation could be harmed. Furthermore, in pricing our contracts, we take into consideration the market positioning of our services, prices of comparable services offered by our competitors, the success of the project, degree of saturation of the current market, market trends, complexities of the services required, costs and expenses of our services and the timeline of the contract. However, our evaluation of these factors may be inaccurate or incorrect. If we underprice our contracts or experience cost overruns, we may incur losses.



---

## RISK FACTORS

---

***If we fail to protect the intellectual property rights or confidential information of customers of our Physician Research Assistance business, we will be subject to legal liabilities and our reputation may be damaged.***

Protection of intellectual property rights and confidential information associated with pharmaceutical and biotechnology pharmaceutical R&D services is critical to all of our customers. Our customers generally retain ownership of the intellectual property rights that they provide to us and those arising from the services we provide. Our service agreements with our customers would typically require us to exercise all reasonable precautions to protect the integrity and confidentiality of our customers' confidential information. Our success therefore depends in substantial part on our ability to protect the intellectual property rights and confidential information of our customers. Notwithstanding our efforts to protect our customers' intellectual property rights and confidential information, unauthorized parties may still attempt to obtain and use such information that we regard as confidential. Any unauthorized disclosure of our customers' proprietary rights or confidential information could subject us to liability for breach of contract and result in significant damage to our reputation and any remediation efforts may significantly divert our management's attention and resources from other activities.

***We may be exposed to risks related to our access to the medical data of subjects enrolled in the clinical trials.***

We assist pharmaceutical companies to enter medical records in clinical trials. We are subject to our duty of confidentiality under the service agreements, the relevant laws and regulations of jurisdictions where we provide SMO service. Although we have taken measures to maintain the confidentiality of the of subjects enrolled in clinical trials, including setting internal rules requiring our employees to maintain the confidentiality of our subjects' medical records, we cannot assure you that such measures are effective in ensuring compliance with the relevant laws and regulations or that we are able to prevent the enrolled subjects' private or medical records being divulged without their consent. In addition, clinical trials that we assisted also frequently involve professionals from third-party institutions working on-site with our staff and enrolled subjects. We cannot ensure that such persons will always dully perform their obligation of confidentiality.

***If our Physician Research Assistance service quality does not meet physicians and pharmaceutical companies' evolving needs, or if we fail to meet pharmaceutical companies' inspections, they may not continue to purchase our services.***

We believe service quality and satisfactions of physicians and pharmaceutical companies are among the most important factors for our Physician Research Assistance business growth today. We believe our strong execution capabilities and quality services are widely recognized by physicians and pharmaceutical companies. However, we cannot assure you that we will always be able to deliver quality services that meet our physicians' and pharmaceutical companies' evolving needs. If physicians determine our capabilities to provide research solutions insufficient to meet their needs, we may not be able to integrate physicians into our service networks. In addition, if our customers determine that their expenditures on our Physician Research Assistance services do not generate expected results, they may allocate a portion or all of their budgets to our competitors, and reduce or terminate their business with us. Therefore, we cannot assure you that pharmaceutical companies that have utilized our services in the past will continue to spend at similar levels, or that they will continue to use our Physician Research Assistance services at all in the future. We may not be able to replace pharmaceutical companies which decrease or cease their purchase of our services with new customers that spend at similar levels or more on our services.

---

## RISK FACTORS

---

Furthermore, our pharmaceutical company customers are entitled to review our standard operating procedures and records pertaining to our Physician Research Assistance services and inspect the facilities used to render our services to such customers. We cannot assure you that we will be able to pass all such customer audits and inspections. Failure to pass any of such audits or inspections to pharmaceutical companies' satisfaction could significantly harm our reputation and result in termination of ongoing drug development projects with our customers.

***Our Health Insurance Services are significantly affected by the future prospects of insurance brokerage and agency industry, which is rapidly evolving.***

Our Health Insurance Services, in particular our insurance brokerage service, is highly dependent on the future growth and proliferation of third-party insurance brokerage and health management service industries in China, which could be affected by many factors beyond our control.

Third-party insurance brokerage industry in China could be affected by, from the insurance carrier side, the close integration with and improvements in online infrastructure and technology, efficient access to insurance consumers, consumer base and insights, consumer acquisition costs and the separation of insurance product design and sales; and from the consumer side, by the continued formation of consumers' online insurance policy purchasing habits, the selection, price and popularity of insurance products offered by insurance carriers, the demand for convenience, the reliability and security of third-party insurance brokerage platforms and online insurance policy buying or claim settlement experience. In addition, third-party insurance brokerage industry may also be affected by the overall prosperity of health and life insurance industry.

In addition, health management service industry in China could be affected by (i) internal factors including our accessibility and ability to manage the large volume of medical records from various sources and our ability to maintain and expand our clinic and hospital network; as well as (ii) external factors including the medical costs borne by patients, development of self-discipline conventions driven by industry leaders, and the coverage of the national basic medical insurance provided by the Chinese government and regulatory policies.

***Our revenue and profitability generated from Health Insurance Services might be adversely impacted if the commission level of our insurance brokerage service declines.***

We provide member-oriented health insurance services, with an offering of full-spectrum health management services and differentiated and specialized health insurance plans. Revenues are primarily from commission fees paid by the insurance carriers whose insurance policies our consumers purchase. The commission fee rates are negotiated between insurance carriers and us. Commission fee rates and premiums can change based on the prevailing economic, regulatory, taxation and competitive factors that affect insurance carriers. These factors, which are beyond our control, include the capacity of insurance carriers to place new business, profits of insurance carriers, consumer demand for insurance products, the availability of comparable products from other insurance carriers at lower costs, and the availability of alternative insurance products, such as government benefits and self-insurance plans, to consumers. In addition, premium rates for certain insurance products are tightly regulated by the China Banking and Insurance Regulatory Commission ("CBIRC"). Because we do not determine, and cannot predict, the timing or extent of premium or commission fee rate changes, we cannot predict the effect any of these changes may have on our operations. Any decrease in premiums or commission fee rates may significantly affect our profitability.

---

## RISK FACTORS

---

***Our ability to enable direct settlement by the public health insurance system is critical to our Specialty Pharmacy Business.***

Our ability to enable direct settlement by public health insurance for our medical services is critical to our specialty pharmacy service. 76 of our specialty pharmacies are designated pharmacies for social medical insurance, accounting for approximately 74% of all our specialty pharmacies. In addition, 47 of our specialty pharmacies have obtained the social medical insurance “dual-channel” qualification for major diseases (“大病醫保雙通道資質”) from local health insurance bureaus, allowing our customers to enjoy the same reimbursable rate for medicines with those purchased from medical institutions. However, there is no assurance that we can successfully retain the current social security authorization or expand its reach to other specialty pharmacies. If we fail to retain the authorization or if the public health agency tightens the authorization requirements which we are able to meet, the performance of our specialty pharmacy business may be adversely affected. In addition, there is no assurance that the public health agencies will not negotiate for more favorable terms for them in the future. Under such circumstances, we may have to agree to less favorable terms so as to maintain our ongoing cooperative relationships with the public health agencies, which may weaken our capability to enable direct settlement by the public health insurance system.

***We may fail to co-develop insurance products together with insurance carriers that are appealing to our members.***

We co-developed health insurance products with insurance carriers, which constitutes a key service line of our Health Insurance Services business. During the Record Tracking Period, our revenue generated from Health Insurance Services business has significantly increased. In 2019, 2020, 2021 and the six months ended June 30, 2022, we recorded revenue from Health Insurance Services business of RMB2.2 million, RMB32.0 million, RMB92.6 million and RMB92.1 million, respectively. However, we cannot assure you that we can maintain the such growth potential. In particular, we may fail to co-develop and optimize innovative health insurance products with insurance carriers to meet the diversified and evolving healthcare needs of our members, or we may make false prediction on the future trend, which will cause our future products less appealing to consumers. In addition, our current growth rely on the policy support from local governments. However, we cannot assure you that we will be able to continuously obtain policy support or maintain the collaborative relationship with local governments.

***We may lose our key customers in the future.***

We cannot assure you that we will be able to maintain or strengthen our relationships with our key customers, or that our key customers will continue to engage us for significant service contracts. Furthermore, we may not be able to realize all of the anticipated future revenue associated with our contracted future revenue. If there is any significant cutback in spending for our pharmaceutical R&D services by our key customers due to industry consolidation, deterioration of their financial conditions, research and development budget cuts, pending regulatory approvals or other reasons and we are unable to obtain suitable service contracts of comparable size and terms as replacement.

***We collaborate with third parties to provide services to our customers, and any failure or interruption in or withdrawal of the services provided by these third parties could lead to a material disruption in our operations and negatively impact our relationships with customers.***

Our ability to maintain stable customer base and maintain superior customer experience is dependent on the development and maintenance of services provided by third parties, such as medical service

---

## RISK FACTORS

---

providers, online hospital service providers, the IT infrastructures, cloud services, payment processing, telecommunications services, delivery services and other services. Interruptions to or failures in services provided by the third-parties could affect our ability to provide high-quality customer experience. These interruptions may be due to events that are beyond our control or the control of these third parties, such as inclement weather, natural disasters, virus outbreaks, transportation disruptions or labor unrest. In addition, if the third parties we collaborate with fail to comply with their contractual obligations or applicable rules and regulations in China, their services may be materially and adversely affected, which in turn will impair our business. For example, doctors and other health service providers in our network may provide sub-standard services or mishandle personal information, which could subject us to complaints from our customers. As we source health services from third-party providers, we have limited control over them as well the quality of their services. There can be no assurance that our risk management procedures will be sufficient to monitor their performance and control the quality of their work. We cannot rule out the possibility that they may inaccurately record or categorize medical records and personal information, which may in turn compromise the quality of our services. In the event that third-party health service providers fail to comply with their contractual obligations or applicable laws and regulations in relation to the provision of our health services, our customer experience could deteriorate, and we may suffer as a result of any actual or alleged misconduct by them. We may not be able to find alternative companies to provide services in a timely and reliable manner, or at all. Any significant delay in provision of services by these third parties, or the unavailability of alternative providers could hinder our business plan.

### **Risks Relating To Government Regulations**

*We may fail to comply with the strict regulatory requirements and approvals and evolving industry standards in the PRC healthcare industry.*

Our business is subject to evolving industry standards, governmental supervision and regulation by various PRC governmental authorities, including, but not limited to, the NMPA, the State Administration for Market Regulation, or the SAMR, the NHC, the China Banking and Insurance Regulatory Commission, the Ministry of Commerce of the People's Republic of China, or the MOFCOM, the MIIT, the Cyberspace Administration of China, or the CAC, and the corresponding local regulatory authorities. Such government authorities promulgate and enforce laws and regulations that cover a variety of business activities that our operations concern, such as retail, sales and operation of pharmaceutical, medical devices and health foods, insurance brokerage services, provision of internet information, and advertisement, among other things. These regulations in general regulate the entry into, the permitted scope of, as well as approvals, licenses, permits, filings and registrations for, the relevant business activities.

In addition to obtaining necessary approvals, licenses and permits for conducting our business, we must comply with relevant laws, regulations and evolving industry standards. Our businesses, such as pharmaceutical sale, are subject to various and complex laws and regulations, extensive government regulations and supervision. We may not be fully informed of all and new requirements under relevant laws and regulations in a timely manner, and even if we become aware of new requirements, due to uncertainties in their interpretations and implementation, it will be difficult for us to determine what actions or omissions would be deemed as violations of applicable laws and regulations. We may also not be able to respond to evolving laws and regulations and take appropriate action in time to adjust our business model. As a result, we may be in violation or non-compliance with such laws and regulations.

---

## RISK FACTORS

---

***We are subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in which, may materially and adversely affect our business and prospects.***

Due to the complex nature of our business, we are subject to legal and regulatory requirements of multiple industries in the PRC. These industries primarily include the Internet, healthcare, digital health and digital medical service industries. Various regulatory authorities of the PRC government are empowered to promulgate and implement regulations governing broad aspects of these industries. Any violation of the relevant laws, rules and regulations may result in harsh penalties and, under certain circumstances, lead to criminal prosecution.

Meanwhile, the regulations of both the Internet industry and its digital medical service sector are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. As a result, under certain circumstances, it may be difficult to determine what actions or omissions would be deemed in violation of applicable laws and regulations. In a regulatory climate that is uncertain, our operations may be subject to direct and indirect adoption, expansion or reinterpretation of various laws and regulations. Compliance with these future laws and regulations may require us to change our business models and practices at an undeterminable and possibly significant financial cost. We have identified what we believe are the primary areas of government regulation that, if changed, would be costly to us. These areas include, but are not limited to, value-added telecommunications services, sales, supply, distribution and advertising of pharmaceutical products and medical devices, internet advertising, cybersecurity and confidentiality of customer information. There could be other laws and regulations applicable to our business that we have not identified or that, if changed, may be costly to us, and we cannot predict all the ways in which implementation of such laws and regulations may affect us.

***Changes in laws, government regulations or in practices relating to the pharmaceutical and biotechnology industries could decrease demand for our Physician Research Assistance service, and compliance with new regulations may result in additional costs.***

The SMO service market is subject to influence of relevant regulations. Recently, there is a trend of enhanced regulations. On November 15, 2021, the Center for Drug Evaluation of the NMPA issued the “*Guiding Principles for Clinical Value-Oriented Clinical Research and Development of Antitumor Drugs*” (《以臨床價值為導向的抗腫瘤藥物臨床研發指導原則》) with the purpose to better address the needs of patients and to promote the clinical value-oriented R&D of anti-tumor drugs. Such regulations expose our Physician Research Assistance service to higher requirements and the uncertainties as to the interpretation and application of these laws and regulations may have a material impact to our operation and business. Changes in laws, regulations or in practices relating to the pharmaceutical and biotechnology industries, such as a relaxation in regulatory requirements, or the introduction of simplified drug approval procedures that lower the entry barrier for potential competitors, or changes in regulatory requirements may make our services less competitive, could eliminate or substantially reduce the demand for our services. Since 2016, there has been a significant rise in outsourcing opportunities in China as a result of significant regulatory challenges. However, we cannot assure you that there will be no adverse regulatory changes in the PRC, or the regulatory changes in the PRC that have benefitted our business during the Track Record Period will continue to benefit our business going forward.

In addition, under current regulatory requirements of the PRC, in order to introduce a drug approved overseas into the PRC market, such drug must be registered as an imported drug, otherwise the development process of such drug must be repeated in the PRC, either of which could take several years of work. By engaging us, pharmaceutical and biotechnology companies are able to conduct the

---

## RISK FACTORS

---

required development process in order to obtain the regulatory approval in the PRC. If the PRC ever streamlines, expedites or simplifies its regulatory procedures, certain of our customers' demand for our services may decrease.

***We or our Directors or senior management may from time to time become party to litigation, other legal or administrative disputes and proceedings.***

Our business operations entail substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to medical disputes, fraud and misconduct, sales and services and control procedures deficiencies, as well as the protection of personal and confidential information of our customers and business partners, among others. We may be subject to claims and lawsuits in the ordinary course of our business. We may also be subject to inquiries, inspections, investigations and proceedings by relevant regulatory and other governmental agencies. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant to us. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees would have a material adverse effect on us. In addition, events or activities attributed to our Directors or senior management, and related publicity, whether or not justified, may affect their ability or willingness to continue to serve our Company or dedicate their efforts to our Company and negatively affect our brand and reputation.

***We are subject to limitations in promoting healthcare-related services and products.***

We are subject to certain limitations in promoting healthcare-related services and products. In the provision of our medical and healthcare services, we and other related third parties have to comply with rules and regulations that restrict the promotion or dissemination of information about the professional healthcare services and practice provided by licensed doctors, and the publication or marketing efforts for the predominant purpose of promoting the products or services of doctors to customers or potential customers. Such restrictions may affect our ability to further enhance our brand recognition or secure new business opportunities in the future.

Furthermore, there can be no assurance that our existing practices of monitoring our information dissemination process and publication would continue to be effective. Should there be any change in the relevant rules and regulations, or change of interpretation thereof, we and other relevant third parties may be regarded as breaching the relevant rules and regulations and may be subject to regulatory penalties or disciplinary actions, which may materially and adversely affect our business and reputation.

***Our co-development of health insurance plans with insurance carriers is subject to regulation and administration by CBIRC.***

Our co-development of health insurance plans with insurance carriers is subject to regulation and administration by CBIRC. For example, the insurance terms and premium rates of our health insurance plans are subject to regulations by CBIRC. Changes in the regulations relating to insurance industry may affect our profitability on the products we sell. In addition, the evolving laws and regulations may limit our innovative initiatives on product development and design, the lack of which will affect our growth and development as we aim to achieve. We may be subject to administrative or legal proceedings regarding our insurance plans along with the expansion of such business.

---

## RISK FACTORS

---

Failure, by us or our insurance carrier partners, to comply with any of the laws, rules and regulations to which we are subject could result in fines, penalties, or the restrictions on our Health Insurance Services business, which could materially and adversely affect us. As some of the laws, rules and regulations that we are subject to are relatively new, there is uncertainty regarding their interpretation and application. In addition, the laws, rules and regulations under which we are regulated may change from time to time. We cannot assure you that future legislative or regulatory changes, including deregulation, would not have a material adverse effect on our Health Insurance Services business.

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

The PRC government, media outlets and public advocacy groups are increasingly focused on consumer protection. As one of our major business arms, we are selling pharmaceutical and healthcare products and services. Such activities pose increasing challenges to our internal control and compliance systems and procedures, including our control over and management of third-party service personnel, and expose us to substantial increasing liability, negative publicity and reputational damage arising from consumer complaints, harms to personal health or safety or accidents involving products or services offered by us.

***We are subject to changing laws and regulations regarding corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.***

We are or will be subject to rules and regulations by various governing bodies, including, for example, the Hong Kong Stock Exchange, which together with the SFC is charged with the protection of investors and the oversight of companies whose securities are publicly traded, the various regulatory authorities in China, Hong Kong and the Cayman Islands, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

***Failure to comply with anti-corruption laws and regulations, or effectively manage our employees, affiliates and business partners such as suppliers and merchants, could severely damage our reputation, and materially and adversely affect our business.***

We are subject to risks in relation to actions taken by us, our employees, affiliates, suppliers, or third-party merchants that constitute violations of the anti-corruption laws and regulations. There have been several instances of corrupt practices in the pharmaceutical industry, including, among other things, receipt of kickbacks, bribes or other illegal gains or benefits by pharmacies, hospitals and medical practitioners from manufacturers, distributors and retail pharmacies in connection with the prescription of pharmaceutical products. While we adopt strict internal procedures and work closely with relevant government agencies to ensure compliance of our business operations with relevant laws and regulations, our efforts may not be sufficient to ensure that we comply with relevant laws and regulations at all times. If we, our employees, affiliates, suppliers, third-party merchants or other

---

## RISK FACTORS

---

business partners violate these laws, rules or regulations, we could be subject to fines and/or other penalties. In the case of our retail pharmacy business, the products involved may be seized and our operations may be suspended. Actions by PRC regulatory authorities or the courts to provide an interpretation of PRC laws and regulations that differs from our interpretation or to adopt additional anti-bribery or anti-corruption related regulations could also require us to make changes to our operations. Our reputation, corporate image, and business operations may be materially and adversely affected if we fail to comply with these measures or become the target of any negative publicity as a result of actions taken by us, our employees, affiliates, suppliers or marketplace merchants.

***Our listing may be impeded and our business operations may be adversely affected by the Measures for Cyber Security Reviews or the Regulation on the Administration of Cyber Data Security (Draft for Comments).***

On December 28, 2021, the CAC, jointly with the other 12 governmental authorities, promulgated the Measures for Cyber Security Review (網絡安全審查辦法), or the MCSR, which took effective since February 15, 2022. Article 7 of the MCSR stipulates that an online platform operator which possesses personal information of over one million users and intends to “list abroad (國外上市)” shall be subject to cyber security review. However, the MCSR provides no further explanation or interpretation for “online platform operator” and “list abroad (國外上市)”, and does not stipulate that an online platform operator which intends to list in Hong Kong shall be subject to cyber security review. Given that (i) the expression used in the MCSR is “list abroad (國外上市)” rather than “offshore listing”, and (ii) according to the Exit and Entry Administration Law of the PRC (中華人民共和國出境入境管理法), Hong Kong is not a country or region outside of the PRC, as long as there is no specific explanation to include Hong Kong in the scope of “abroad (國外)” in the future, our PRC Legal Advisers are of the view that the Listing is unlikely to be considered as “listing abroad” and thus we have no obligation to proactively apply for cyber security review for our application for the Listing under Article 7 of the MCSR. Furthermore, pursuant to Article 2 of the MCSR, critical information infrastructure operators that intend to purchase internet products and services and online platform operators engaging in data processing activities, that affect or may affect national security, shall be subject to cyber security review. The MCSR further elaborates on the factors to be considered when assessing national security risks of the relevant objects or situations, see “Regulations Overview—Regulations relating to Internet Security” for more details. Given that (i) we do not carry out business outside the PRC, nor do we provide any personal information outside the PRC; (ii) we had not been determined or identified as a “critical information infrastructure operator” by any governmental authorities as of the Latest Practicable Date, and we believe that we do not engage in any data processing activities that affect or may affect national security; and (iii) as of the Latest Practicable Date, we had not been involved in any investigations on cyber security review made by the CAC, and we had not received any inquiry, notice, warning, or sanctions in such respect, we believe that the MCSR will not have material adverse impact on our business operations.

However, the MCSR also grants the member organization of the cyber security review mechanism the right to initiate cyber security review without application, if any of them has reason to believe that any internet products, services or data processing activities affect or may affect national security. The PRC government authorities may have broad discretion in the interpretation of “affect or may affect national security”. If any internet products, services or data processing activities of us are deemed to “affect or may affect national security” by the PRC government authorities under its broad discretion, we may be subject to cyber security review. If we fail to pass such cybersecurity review, our listing may be impeded and/or our business operations may be adversely affected.



---

## RISK FACTORS

---

On November 14, 2021, the CAC promulgated the Regulation on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)), or the Draft Cyber Data Security Regulation. In accordance with the Draft Cyber Data Security Regulation, data processors shall, in accordance with relevant state provisions, apply for cyber security review when carrying out activities including (i) seeking to be listed in Hong Kong that affect or may affect national security and (ii) other data processing activities that affect or may affect national security. The Draft Cyber Data Security Regulation has not taken effect, and it is uncertain as to the definition and interpretation of key terms in the Draft Cyber Data Security Regulation, the standard of review to be adopted and potential consequences. Especially, the Draft Cyber Data Security Regulation provides no further explanation or interpretation for “affect or may affect national security”, which remains to be clarified and elaborated by the CAC. As advised by our PRC Legal Advisers, the PRC government authorities may have broad discretion in the interpretation of “affect or may affect national security”. We believe that we have not engaged in any data processing activities that affect or may affect national security and thus we are unlikely to be deemed as a data processor that affect or may affect national security. Therefore, even if the Draft Cyber Data Security Regulation is implemented in its current form before our listing, the Listing is expected not to be materially and adversely affected. In addition, if the Draft Cyber Data Security Regulation were implemented in its current form, we believe that our business operations will not be materially and adversely affected and there are no substantive obstacles for us to fulfill the obligations that may be applicable to us, on the basis that (i) as of the Latest Practicable Date, we had not been subject to any material fines or administrative penalties, mandatory rectifications, or other sanctions by any competent authorities in relation to the infringement of cyber security and data protection laws and regulations; and there is no material leakage of data or personal information or violation of cyber security and data protection and privacy laws and regulations by us which will have a material adverse impact on our business operations; (ii) we had not been involved in any investigations on cyber security review initiated by the CAC and nor had we received any inquiry, notice, warning, or sanctions in such respect; (iii) we had implemented effective cyber security and data protection policies, procedures, and measures to ensure secured storage and transmission of data and prevent unauthorized access or use of data; and (iv) we will continuously pay close attention to the legislative and regulatory development in cyber security and data protection, maintain ongoing communication with relevant government authorities and implement all necessary measures in a timely manner to ensure continuous compliance with relevant laws and regulations. Based on the aforesaid, our PRC Legal Advisers do not foresee any material impediment for us to take measures for compliance with Draft Cyber Data Security Regulation in all material respects.

However, if we were deemed as a data processor that “affect or may affect national security” by the PRC government authorities under its broad discretion, we may be subject to cyber security review. If we fail to pass such cyber security review, our listing may be impeded, our business operations may be adversely affected, and/or we may be subject to other severe penalties and/or action by the competent government authority.

### **Risks Relating To Our Intellectual Property Rights**

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

We regard our trademarks, copyrights, domain names, know-how, proprietary technologies, and similar intellectual property (which we have ownership or legal rights to use) as critical to our success, and we rely on a combination of intellectual property laws and Contractual Arrangements, including confidentiality, invention assignment and non-compete agreements with our employees and others, to protect our proprietary rights. Although we are not aware of any copycat websites that attempt to cause

---

## RISK FACTORS

---

confusion or diversion of traffic from us at the moment, we may become an attractive target to such attacks in the future because of our brand recognition in pharmaceutical and healthcare industries in China. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. Further, because of the rapid pace of technological change in our industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms, or at all.

Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. We can provide no assurance that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors.

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

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

---

## RISK FACTORS

---

### **Risks Relating To Our Financial Position and Need for Additional Capital**

*We may not be able to obtain additional capital when desired, on favorable terms or at all.*

We may require additional cash resources if we incur operating losses or for future growth and development of our business, including any investments or acquisitions we may decide to pursue. If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets and the PRC governmental regulations over foreign investment and the PRC healthcare industry. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations. There can be no assurance that financing would be available in a timely manner or in amounts or on terms favorable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

*We are subject to credit risk with respect to trade receivables and contract assets.*

As of December 31, 2019, 2020, 2021 and June 30, 2022, we recorded trade and bills receivables of RMB38.7 million, RMB44.6 million, RMB171.2 million and RMB258.0 million, respectively, and contract assets of RMB50.4 million, RMB73.4 million and RMB103.3 million and RMB110.7 million, respectively. As of December 31, 2019, 2020, 2021 and June 30, 2022, our turnover days of trade receivables from Physician Research Assistance service were 38 days, 48 days, 49 days and 73 days, respectively. Nevertheless, there can be no assurance that all such amounts due to us would be settled on time, or that such amounts will not continue to increase in the future. Accordingly, we face credit risk in collecting trade receivables and contract assets mainly due from our Physician Research Assistance customers. Our performance, liquidity and profitability would be adversely affected if significant amounts due to us are not settled on time, substantial impairment is incurred or if any of these customers goes bankruptcy or undergoes credit deterioration.

*Our results of operations, financial conditions, and prospects may be adversely affected by fair value changes of our financial assets which is subject to the uncertainties in accounting estimates.*

During the Track Record Period, we had certain financial assets at fair value through profit or loss, primarily consisting of money market fund investment and wealth management products we purchased, comprising short-term or low-risk financial products. The expected rate of return ranged from 1.40% to 4.90% per annum. As a result, we are exposed to credit risk in relation to the financial assets, which may adversely affect our net changes in the fair value. The financial assets at FVTPL are stated at fair value, and net changes in the fair value are recorded as other gains or losses, thus directly impacting our results of operations. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any fair value losses on our financial assets at fair value through profit or loss in the future. Our results of operations, financial condition and prospects may be adversely affected if we incur such fair value losses.

Furthermore, as we measure our financial assets at their fair value which is measured based on the presumption that the transaction to sell an asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. We have adopted IFRS 9, which is effective for the period beginning on or after January 1, 2018 throughout the Track Record Period. The equity

---

## RISK FACTORS

---

investments at fair value through profit or loss are measured using the assumptions that market participants would use when pricing such equity investments, assuming that market participants act in their economic best interest. As such, we believe that our equity investments at fair value through profit or loss are subject to the uncertainties of accounting estimates and therefore warrant particular attention. In addition, we are exposed to risk of interest rate fluctuation relating to the wealth management products we invested in and may not be able to maintain the interest rate level that we currently have.

All assets and liabilities for which fair value is measured are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: (i) level 1 financial assets and liabilities, which refer to quoted (unadjusted) market prices in active markets for identical assets or liabilities, (ii) level 2 financial assets and liabilities, which refer to valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and (iii) level 3 financial assets and liabilities, which refer to valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. As of December 31, 2019, 2020, 2021 and June 30, 2022, we recorded financial assets at fair value through profit or loss of RMB391.3 million, RMB38.1 million, RMB1,067.3 million and nil, respectively. In 2019, 2020, 2021 and the six months ended June 30, 2022, we realized gains on the financial assets at fair value through profit or loss of RMB 4.4 million, RMB 8.8 million, RMB25.7 million and RMB10.3 million.

***Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our convertible redeemable preferred shares at fair value through profit or loss due to the use of unobservable input.***

During the Track Record Period, we issued convertible redeemable preferred shares, all of which are designated as financial liabilities at fair value through profit or loss. The assessment of fair value of our convertible redeemable preferred shares requires the use of inputs including discount rate, risk-free interest rate, volatility and discount for lack of marketability. Changes of these inputs will change the fair value of our convertible redeemable preferred shares. In 2019, 2020, 2021 and six months ended June 30, 2022, our fair value losses on convertible redeemable preferred shares was RMB320.1 million, RMB657.3 million, RMB3,048.4 million and RMB85.1 million, respectively. We expect continued fluctuation in the fair value of convertible redeemable preferred shares after June 30, 2022 to the Listing Date. In addition, the fair value of our convertible redeemable preferred shares at fair value through profit or loss is subject to the foreign exchange fluctuations. Depreciation of Renminbi against U.S. dollar would cause an increase in the fair value loss of this item, which would adversely impact our profitability and results of operations. After the automatic conversion of the convertible redeemable preferred shares into Shares upon the Listing, which will result in a net asset position, we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. In addition, fair value of such convertible redeemable preferred shares is estimated based on unobservable inputs. The actual changes of any unobservable input may result in changes of the valuation of such shares, any decrease of which may adversely affect our financial conditions.

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

We have adopted 2017 global share plan and restricted share unit scheme to provide additional incentives to employees, directors and consultants. In 2019, 2020, 2021 and the six months ended

---

## RISK FACTORS

---

June 30, 2022, we incurred share-based payment compensation of RMB21.7 million, RMB114.0 million, RMB298.7 million and RMB105.7 million, respectively. We believe the granting of share-based payment compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share incentives to employees in the future. As a result, our expenses associated with share-based payment compensation may increase, which may have an adverse effect on our results of operations.

***We may face impairment losses for our goodwill and intangible assets.***

In order to expand our operations and global presence, we have undertaken a series of acquisitions in the past. We acquired two specialty pharmacy operators in 2019 and one specialty pharmacy operator in 2021. In practice, many companies acquire other companies and pay a consideration that exceeds the fair value of identifiable assets and liabilities that the acquired company possesses, the difference between the purchase price and the fair value of acquired assets is recorded as a goodwill. The carrying amount of our goodwill were RMB42.1 million, RMB42.1 million, RMB79.8 million and RMB79.8 million at December 31, 2019, 2020, 2021 and June 30, 2022, respectively. In addition, we have other intangible assets of RMB45.7 million, RMB47.4 million, RMB61.5 million and RMB60.1 million as of the same date, respectively. See note 16 and 18 to the Accountants' Report in Appendix I in this document for details.

While we did not recognize impairment loss for goodwill and intangible assets during the Track Record Period, we cannot assure you that there will be no such charges in the future. In particular, the failure to achieve financial results commensurate with our goodwill and/or intangible assets estimates may adversely affect the recoverability of such goodwill and/or intangible assets, and in turn result in impairment losses. As we carry a substantial balance of goodwill and intangible assets, any significant impairment losses charged against our goodwill and/or intangible assets could have a material adverse effect on our business, financial Condition and results of operations.

***If we fail to perform our contract obligations, our business, results of operations and financial condition may be materially and adversely affected.***

As of December 31, 2019, 2020, 2021 and June 30, 2022, we had contract liabilities of RMB59.6 million, RMB105.9 million, RMB167.3 million and RMB166.3 million, respectively, which were generally in line with our business growth. Our contract liabilities primarily arose from the SMO service.

If we fail to fulfill our obligations with respect to our contract liabilities, we may not be able to convert such contract liabilities into revenues as expected, and our customers may even request to cancel their agreements with us, which may lead to customer dissatisfaction or even disputes with us. Furthermore, if we fail to fulfill our obligations with respect to our contract liabilities, customers may request not to prepay us in the future. Any of the circumstances could materially and adversely affect our business, results of operations, cash flow and liquidity condition.

### **Risks Relating to Our General Operation**

***Our success depends on the continued efforts of our senior management and key employees and our business may be severely disrupted if we lose their services.***

Our future success depends heavily upon the continued services of our senior management and our key employees. Accordingly, we believe that our ability to attract and retain key personnel is a critical factor in our competitiveness. Competition for these individuals could require us to offer higher

---

## RISK FACTORS

---

compensation and other benefits in order to attract and retain them, which could increase our operating expenses. If we are unable to attract or retain the personnel required to achieve our business objectives, our business could be severely disrupted.

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

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

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

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

***We provide our Health Insurance Services on the third-party platforms. If any operation failure, disruption or delays occurred in services from third-party platforms or if, we fail to maintain our relationship with these platforms, our Health Insurance Services may be adversely impacted.***

We provide our Health Insurance Services through third-party platforms. Any damage to, or a failure of our third-party platform providers, could result in interruptions in our services, and may have a further adverse impact on our ability to attract new clients, all of which would reduce our revenue. Our business and reputation may also be harmed if our clients, or potential clients, believe that our products and services are unreliable.

Additionally, these third-party platforms may not continue to be available to us at reasonable prices, on commercially reasonable terms, or at all. If we lose our right to continue to use these third-party platforms, this could increase our expenses or otherwise result in delays in the provisioning of our services. If the performance of the third-party platform proves unsatisfactory, we may need to replace such third-party and/or take other remedial action, which could result in additional costs and materially and adversely affect the products and services we provide to our clients.

***The lease agreements of our leased properties have not been registered with the relevant PRC government authorities as required by PRC law.***

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the

---

## RISK FACTORS

---

Latest Practicable Date, we had not completed the relevant property leasing registrations for our leased properties in China. As advised by our PRC Legal Advisers, the failure to complete the registration process does not affect the validity of the property lease agreements but a maximum penalty of RMB10,000 may be imposed on us for the non-registration of each lease. We cannot assure we will not be subject to any penalties arising from the non-registration of lease agreements in the future. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors.

***We may fail to renew our current leases or locate desirable alternatives for our facilities.***

We lease properties for our offices, pharmacies and other corporate facilities. We may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our facilities as our business continues to grow and failure in relocating our affected operations could materially and adversely affect our business and operations.

***Our rights to use our leased properties could be challenged by third parties or government authorities, and we may be forced to vacate from these leased properties and be forced to relocate, which may result in a disruption of our operations and subject us to penalties.***

Certain of our leased properties may subject us to challenges by third parties and we may be forced to vacate from these leased properties. As of the Latest Practicable Date, lessors of leased properties for our 20 specialty pharmacies have not provided us with their property ownership certificates, with an aggregate GFA of approximately 3,337.3 square meters, representing approximately 19.0% of the total GFA of the leased properties for our specialty pharmacies. Lessors of leased properties for our four specialty pharmacies have not provided us with their sublease authorization from landlords, with an aggregate GFA of approximately 471.8 square meters, representing approximately 2.7% of the total GFA of the leased properties for our specialty pharmacies. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors, our leases could be invalidated. If any of the above occurs, we may have to relocate or renegotiate the leases with the owners or the parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us.

Also, in the event that the actual use of our leased properties is inconsistent with the use registered on the land use right certificate or our leased properties are on allocated land, the competent authorities may require the lessors to return the land and impose fines on the lessors, or confiscate the proceeds from the leasing of the properties and imposed fines on the lessor if such properties are leased without their consent or handing in such income, as applicable. As of the Latest Practicable Date, lessors of leased properties for our 12 specialty pharmacies did not obtain valid property ownership certificates including pharmacies business as a permitted commercial usage, with an aggregate GFA of approximately 1,953.4 square meters, representing approximately 11.1% of the total GFA of the leased properties for our specialty pharmacies. We can provide no assurance that we will not be subject to the aforementioned penalties as a lessee to the properties, and the relevant lease agreements may be deemed to be in breach of the law and therefore be void. Some of our leased properties were also subject to mortgage at the time the leases were entered into. Such lease may not be binding on the

---

## RISK FACTORS

---

transferee of the property in the event that the mortgage holder forecloses on the mortgage and transfers the property to another party.

We cannot assure you that our use of such leased properties will not be challenged. In the event that our use of properties is successfully challenged, we may be subject to fines and forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties.

***We may fail to adopt new technologies or adapt our products or services to changing customers' requirements or emerging industry standards, and our efforts to invest in the development of new technologies may be unsuccessful or ineffective.***

To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our products and services. The industries we operate in are characterized by rapid technological evolution, changes in customer requirements and preferences, frequent introductions of new products and services embodying new technologies and the emergence of new industry standards and practices, any of which could render our existing technologies and systems obsolete. Our success will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful in our business, and respond to technological advances and emerging industry standards and practices in a cost-effective and timely way. In recent years, we invested in the development of many new technologies and business initiatives. We cannot assure you that we will be able to successfully develop or effectively use new technologies, recoup the costs of developing new technologies or adapt our websites and our proprietary technologies and systems in a cost-effective and timely manner to meet customer requirements or emerging industry standards.

***Our technologies may contain undetected errors or may not operate properly.***

Technology and data are important to our business. We have leveraged our internally developed proprietary technologies in building our data base to support the operations of our Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services businesses. In-house technology development is time-consuming, expensive and complex, and may involve unforeseen difficulties. We may encounter technical obstacles, and it is possible that we may discover additional problems that prevent our technologies from operating properly and consequently adversely affect our information infrastructure and other aspects of our business where our technologies are applied. If the provision of our services does not function reliably or fails to achieve customers' and business partners' expectations in terms of performance, we may lose existing, or fail to attract new, customers or business partners.

***The proper functioning of our technology platform is important to our business, the failure of which may materially and adversely affect our business and reputation.***

The proper functioning of our technology platform is important to our success and our ability to attract and retain customers and to provide superior customer experience. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our business or reduced order fulfillment performance could reduce the volume of products sold and the attractiveness of product offerings.



---

## RISK FACTORS

---

Moreover, the technology and system used in our operation may develop or contain undetected defects or errors. Material performance problems, defects or errors in our existing or new software and applications and services may arise in the future and may result from interface issues between our systems and data that we did not develop and the function of which is beyond our control or undetected in our testing. These defects and errors, and any failure by us to identify and address them, could result in loss of revenue or market share, diversion of development resources, harm to our reputation and increased service and maintenance costs. Defects or errors may discourage existing or potential customers from utilizing our services, solutions or technologies. Correction of defects or errors could prove to be impossible or impracticable and the costs incurred in correcting any defects or errors may be substantial.

***Security breaches and attacks against our system and network, and any potential resultant breach or failure to otherwise protect confidential and proprietary information, could damage our reputation and adversely affect our business.***

We rely heavily on technology, particularly the internet, to provide high-quality online services. However, our technology operations are vulnerable to disruptions arising from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorized access and other similar events. Disruptions to, or instability of, our technology or external technology that supports the offering of our online services and products could materially harm our business and reputation.

Although we have employed significant resources to develop security measures against breaches, our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us, we may be unable to anticipate, or implement adequate measures to protect against, these attacks. During the Track Record Period, we had not been subject to these types of attacks that had materially and adversely affected our business operations. However, there can be no assurance that we would not in the future be subject to such attacks that may result in material damages or remediation costs. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation would be harmed and we could sustain substantial revenue loss from lost sales and customer dissatisfaction.

In addition, we may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Cyber-attacks may target us, our customers or other participants of our ecosystem, or the information infrastructure on which we depend. Actual or anticipated attacks and risks may cause us to incur significantly higher costs, including costs to deploy additional personnel and network protection technologies, train employees, and engage third-party experts and consultants.

***The wide variety of payment methods that we accept subjects us to third-party payment processing related risks.***

We accept payments using a variety of methods, which includes online payments through various third-party online payment platforms such as Weixin Pay. We may be charged interchange and other fees for certain payment methods, which may increase over time and raise our operating costs and

---

## RISK FACTORS

---

lower our profit margins. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment and cash on delivery options.

We are also subject to various rules, regulations and requirements governing electronic funds transfers, both in China and globally, which could change or be reinterpreted to make it difficult or impossible for us to comply with. For example, in November 2017, the PBOC published a notice, or the PBOC Notice, on the investigation and administration of illegal offering of settlement services by financial institutions and third-party payment service providers to unlicensed entities. The PBOC Notice intended to prevent unlicensed entities from using licensed payment service providers as a conduit for conducting the unlicensed payment settlement services, so as to safeguard the fund security and information security. As the laws and regulations in this area are still evolving and subject to interpretation, we cannot assure you that the PBOC or other governmental authorities will not scrutinize our cooperation with third-party online payment service providers. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers or facilitate other types of online payments.

***Acquisitions, strategic alliances and investments could be difficult to integrate.***

We may evaluate and consider strategic investments and acquisitions or enter into strategic alliances to develop new services or solutions and enhance our competitive position. Investments or acquisitions involve numerous risks, including the potential failure to achieve the expected benefits of the combination or acquisition; difficulties in, and the cost of, integrating operations, technologies, services and personnel; potential write-offs of acquired assets or investments; and downward effect on our operating results. These transactions will also divert the management's time and resources from our normal operations and we may have to incur unexpected liabilities or expenses. We may also in the future enter into strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including risks associated with potential leakage of proprietary information, non-performance by the counterparty and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business.

***We may be unable to identify appropriate acquisition or strategic investment targets when it is necessary or desirable to make such acquisition or investment to remain competitive or to expand our business.***

It is part of our plan to use the proceeds from the Global Offering for potential investments and acquisitions or strategic alliances to remain competitive and to expand our business. We are interested in healthcare companies with advanced technologies and services, insurtech companies with automated claim processing solution and payer service, and other companies with complementary business lines and companies that have synergies with our current business and are seeking appropriate opportunities to implement our plan. However, we cannot assure you that we will be able to identify appropriate opportunities in a timely manner. Even if we do, we may not be able to negotiate the terms of the acquisition or investment successfully, finance the proposed transaction or integrate the relevant businesses into our existing business and operations. Furthermore, we may lose the acquisition opportunities to our competitors as many of them are concurrently looking for similar targets to improve their competitiveness.

---

## RISK FACTORS

---

***Our investment in a joint venture may subject us to risks associated with conducting operations through joint ventures.***

In 2018, we entered into a joint venture agreement with Sinopharm Group Hubei Co., Ltd. (國藥控股湖北有限公司) and Wuhan Kangzhe Health Consulting Company (武漢市康喆健康諮詢有限公司), pursuant to which all parties agreed to jointly establish Sinopharm Holdings Smart Pharmacy (Hubei) Co., Ltd (國藥控股思維特大藥房(湖北)有限公司). Our results of operations might be affected by the results of any joint venture we invest in. In addition, investment in a joint venture is not as liquid as compared with other types of investments. Furthermore, our joint venture partners, as well as any future partners, may have interests that are different from ours which may result in conflicting views as to the conduct of the business of the joint venture. In the event that we have a disagreement with a joint venture partner as to the resolution of a particular issue of the joint venture, or as to the management or operations of the business of the joint venture in general, we may not be able to resolve such disagreement in our favor and such disagreement could have an adverse effect on our interest in the joint venture or the business of the joint venture in general.

***Our risk management system may not be adequate or effective to detect all potential risks in our business as intended.***

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

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

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

***We may be held liable for damages arising from Specialty Pharmacy Business and Physician Research Assistance businesses.***

If any of our specialty pharmacies makes any medication mistakes including the accidental overdose or the wrong drug being given or taken, which resulting in personal injury of patients, we may be subject to negligence or other tort claims. In addition, if any patient get injured during his or her participation in the clinical trials of our SMO businesses or if any patient was unsatisfied with the medical treatment received from the hospitals and doctors referred by us, they may bring claims against us or our collaborating hospitals and doctors, which may impair our brand and reputation, as well as incur significant expenses.

---

## RISK FACTORS

---

***If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results, meet our reporting obligations or prevent fraud.***

Our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. As we continue to expand, we will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our internal controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business. Our efforts in improving our internal control system may not result in eliminating all risks. If we are not successful in discovering and eliminating weaknesses in our internal controls, our ability to effectively manage our business may be affected.

***Any damage to the reputation and recognition of our brand names, including negative publicity against us or involving us, may materially and adversely affect our business operations and prospects.***

We depend on our reputation and brand names in many aspects of our business operations. However, we cannot assure you that we will be able to maintain a positive reputation or brand names for all of our businesses in the future. Our reputation and brand names may be materially and adversely affected by a number of factors, many of which are beyond our control, including:

- adverse associations with the third-party-branded products we sell or which are sold by third-party merchants, including with respect to their quality, efficacy or side effects;
- lawsuits, regulatory investigations, fines and penalties against us or otherwise relating to our products or services;
- improper or illegal conduct by our employees, suppliers, third-party merchants and other business partners, that is not authorized by us; and
- negative publicity associated with us, our Directors, officers, employees or business partners, the products or services or our industry in general, whether founded or unfounded.

In particular, our reputation may be impaired by negative publicity associated with the medical clinics, or hospitals that we have collaboration with, even though not directly against us. Even though such lawsuit may not incur actual liabilities on us, they may harm our brand names and reputation and cause our products and services to be perceived unfavorably by customers, third-party merchants, regulators, medical professionals and other business partners.

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

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

---

## RISK FACTORS

---

***We may be the subject of anti-competitive, harassing, or other detrimental conduct by third parties including complaints to regulatory agencies, negative blog postings, and the public dissemination of malicious assessments of our business.***

We may be the target of anti-competitive, harassing, or other detrimental conduct by third parties. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies. Our brand name and our business may be harmed by aggressive marketing and communications strategies of our competitors. PRC laws and regulations also prohibit agreements and activities which amount to unfair business competition and an abuse of a dominant market position. We cannot assure you that we will not, in the future, be subject to such unfair business competition or dominant market position abuse imposed by third parties. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Additionally, allegations, directly or indirectly against us, may be posted in internet chat-rooms or on blogs or websites by anyone, whether or not related to us, on an anonymous basis. Consumers value readily available information concerning retailers, manufacturers, and their goods and services and often act on such information without further investigation or authentication and without regard to its accuracy. The availability of information on social media platforms and devices is virtually immediate, as is its impact. Social media platforms and devices immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information posted may be inaccurate and adverse to us, and it may harm our financial performance, prospects or business. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, customers and revenues.

***We may not be able to conduct our marketing activities effectively, properly or at reasonable costs, and we are subject to limitations in promoting our products and services.***

We invest resources from time to time in a variety of marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our products and services. However, our brand promotion and marketing activities may not be well received and may not result in the levels of sales that we anticipate. Meanwhile, marketing approaches and tools in the PRC healthcare market are continually evolving, which may further require us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner could reduce our market share. In addition, we are subject to certain limitations in promoting services and products. Our in-house medical team and external doctors and other relevant parties in the provision of our medical and wellness services have to comply with rules and regulations that restrict the promotion or dissemination of information about the professional healthcare services and practice provided by licensed doctors, and the publication or marketing efforts for the predominant purpose of promoting the products or services of doctors to consumers or potential consumers. Such restrictions may affect our ability to further enhance our brand recognition or secure new business opportunities in the future.

Under PRC laws and regulations, all advertisements published online containing drug names, applicable symptoms treated by such drugs (major functions) or other drug-related content, and advertisements published online containing medical device names and the applicable scope, performance, structure and composition, function and other contents relevant to medical device are subject to examination by relevant government authorities. We are prohibited from publishing

---

## RISK FACTORS

---

advertisements of prescription drugs on the websites that we operate and must ensure that any advertisement of medical treatment, drugs or medical devices does not include any assertion or guarantee as to the function and safety or any statement of curative rate and effectiveness of such medical treatment, drugs or medical devices. Any violation of advertisement-related laws and regulations may subject us to fine, or even suspension of our business or revocation of our business license. Although we have implemented internal procedures to examine the content of advertisements displayed on the websites that we operate, we cannot assure you that all such content meets the requirements under PRC advertising-related laws and regulations at all times. There can be no assurance that our existing practices of monitoring our information dissemination process and publication would continue to be effective and would fully comply with relevant laws and regulations. Should there be any change in the relevant rules and regulations, or change of interpretation thereof, we, our in-house medical team, external doctors and other relevant third parties may be regarded as breaching the relevant rules and regulations and may be subject to regulatory penalties or disciplinary actions.

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

We have obtained or caused relevant counterparties to obtain insurance to cover certain potential risks and liabilities, such as professional liability insurance for our doctors in connection with their provision of medical consultation services. We also purchased property insurance for our specialty pharmacies covering buildings, partial facilities and equipment, products as well as furnishment. However, we may not be able to acquire any insurance for certain types of risks such as business liability or service disruption insurance for all of our operations in the PRC, and our coverage may not be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operations. For example, we do not maintain business interruption insurance, nor do we maintain key-man life insurance. Any business disruption, litigation, regulatory action, outbreak of epidemic disease or natural disaster could also expose us to substantial costs and diversion of resources. There can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. We face the risk of assuming loss that is not covered by our insurance policies.

***A severe or prolonged downturn in Chinese or global economy could materially and adversely affect our business and financial condition.***

COVID-19 has had a severe and negative impact on the Chinese and the global economy so far in 2021. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010, and the impact of COVID-19 on the Chinese economy in 2020 is likely to be severe. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China, even before 2020. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our performance.

---

## RISK FACTORS

---

***We face risks related to natural disasters, health epidemics and other outbreaks, such as the outbreak of COVID-19, which could significantly disrupt our operations.***

Our business could be adversely affected by the effects of epidemics. In recent years, there have been breakouts of epidemics in China and globally, especially the COVID-19. In response to intensifying efforts to contain the spread of the coronavirus, the Chinese government took a number of actions including quarantine and free vaccination. The COVID-19 has also resulted in temporary closures of many corporate offices, manufacturing facilities and factories across China. The global spread of COVID-19 pandemic in a significant number of countries around the world has resulted in, and may intensify, global economic distress, and the duration and extent of the impact of COVID-19 outbreak cannot be reasonably estimated at this time. Although the number of person vaccinated is growing rapidly, challenges including coronavirus variants and worsened outbreaks in some countries and regions still make it hard to get COVID-19 under control worldwide. During the Track Record Period, our operation and business performance has also been adversely impacted by COVID-19. In particular, certain clinical trial sites for our SMO projects have faced temporary shutdown. It is uncertain to what extent COVID-19 may affect us going forward. Such uncertainty poses operational challenges to our online service offerings. Our operations could be disrupted if one of our employees is suspected of having COVID-19, H1N1 flu, avian flu or another epidemic in our offices, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the PRC economy in general.

We are also vulnerable to natural disasters and other calamities. Our supply chain, logistics capabilities, and technology and data infrastructure may be adversely impacted by natural disasters, such as fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events.

### **RISKS RELATING TO OUR CORPORATE STRUCTURE AND CONTRACTUAL ARRANGEMENTS**

***If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.***

Current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that engage in the Internet, medical and other related businesses, such as the provision of medical services and Internet information. We are a company incorporated under the laws of the Cayman Islands and our PRC subsidiaries are considered foreign-invested enterprises. To comply with PRC laws and regulations, we conduct a substantial portion of business in the PRC through our Consolidated Affiliated Entities based on the Contractual Arrangements. Such Contractual Arrangements enable us to: (i) be the exclusive provider of business support, technical and consulting services in exchange for a fee; (ii) receive a portion of the economic benefits and bears the relevant risks in relation to the business operation of the Consolidated Affiliated Entities; (iii) have an irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from the Registered Shareholders all or any part of their equity interests in the Consolidated Affiliated Entities at any time and from time to time in our absolute discretion to the extent permitted by PRC laws; (iv) have an irrevocable and exclusive right to purchase, or to designate one or more persons to purchase from the Consolidated Affiliated Entities all or any part of its assets at any time and from time to time in our absolute discretion to the extent permitted by PRC laws; (v) appoint us, any directors authorized by us (except the Registered Shareholders) or his/her successors, or a liquidator

---

## RISK FACTORS

---

replacing the director as our exclusive agent and attorney to act on our behalf on all matters concerning the Consolidated Affiliated Entities and to exercise all of the rights as a registered shareholder of the Consolidated Affiliated Entities in accordance with PRC laws and the articles of the Consolidated Affiliated Entities; and (vi) pledge as first charge a portion of the equity interests in the Consolidated Affiliated Entities to us as collateral security for any and all of the guaranteed debt under the Contractual Arrangements and to secure performance of the obligations under the Contractual Arrangements. The Contractual Arrangements allow the results of operations and assets and liabilities of the Consolidated Affiliated Entities to be consolidated into our results of operations and assets and liabilities under IFRS as if they were wholly-owned subsidiaries of our Group (except certain minority interest therein). The Contractual Arrangements, taken individually or collectively, are valid, legally binding, enforceable against each party of such agreements in accordance with their terms, subject as to enforceability to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally, the discretion of relevant Government Agencies in exercising their authority in connection with the interpretation and implementation thereof and the application of relevant PRC Laws and policies thereto, and to general equity principles.

However, there is the possibility that the PRC government authorities may adopt new laws and regulations or strengthening the supervision on the Contractual Arrangements by approval or registration procedures in the future which may invalidate the Contractual Arrangements. For example, the State Council recent announced the Implementation Rules for the Law for Promoting Private Education, which will take effect since September 2021. These rules prohibit China-based foreign-invested enterprises and enterprises controlled by foreign parties from participating in the provision of compulsory education in China. We cannot assure you that the industry we participate in will not face similar or even more stringent restrictions. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of the Consolidated Affiliated Entities in our consolidated financial statements, if the PRC governmental authorities find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of the Consolidated Affiliated Entities that most significantly impact their economic performance and/or our failure to receive the economic benefits from the Consolidated Affiliated Entities, we may not be able to consolidate the Consolidated Affiliated Entities into our consolidated financial statements in accordance with IFRS.

***We rely on Contractual Arrangements with the Consolidated Affiliated Entities and their shareholders for a portion of our business operations, which may not be as effective as direct ownership in providing operational control.***

We have relied and expect to continue to rely on Contractual Arrangements with the Consolidated Affiliated Entities and its shareholders to operate part of our business. These Contractual Arrangements may not be as effective as direct ownership in providing us with control over the Consolidated Affiliated Entities.

If we had direct ownership of our Consolidated Affiliated Entities, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of such entity, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current Contractual Arrangements, we rely on the performance by our Consolidated Affiliated Entities and its shareholders of their obligations under the contracts to exercise control over our Consolidated Affiliated Entities. However, the shareholders of our Consolidated Affiliated Entities may not act in the best interests of our Company or may not perform its obligations under these contracts. Such risks exist throughout the period in which we intend to operate our business through the Contractual Arrangements with our Consolidated Affiliated Entities. We may replace the



---

## RISK FACTORS

---

shareholders of our Consolidated Affiliated Entities at any time pursuant to our Contractual Arrangements with our Consolidated Affiliated Entities and its shareholders. However, if any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and courts and therefore will be subject to uncertainties in the PRC legal system. Therefore, our Contractual Arrangements with our Consolidated Affiliated Entities may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

***Any failure by our Consolidated Affiliated Entities or its shareholders to perform their obligations under our Contractual Arrangements with them would have a material and adverse effect on our business.***

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

All the agreements under our Contractual Arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States. Meanwhile, there are very few precedents and little formal guidance as to how Contractual Arrangements in the context of a consolidated affiliated entity should be interpreted or enforced under PRC law, and as a result it may be difficult to predict how an arbitration panel would view such Contractual Arrangements. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangements. Additionally, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay.

Our Consolidated Affiliated Entities hold certain of our important licenses and permits, including but not limited to the Permit for Insurance Brokerage Business and Value-Added Telecommunications Business Operating License, to operate our business. In the event we are unable to enforce our Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities, and our ability to conduct these businesses may be negatively affected.

***We may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are material to our business operations if the Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.***

We do not have priority pledges and liens against the assets of our Consolidated Affiliated Entities. If the Consolidated Affiliated Entities undergo an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and we may not have priority against such third-party creditors on the assets of our Consolidated Affiliated Entities. In the event that the Registered

---

## RISK FACTORS

---

Shareholders breach the relevant covenants, we may need to resort to legal proceedings to enforce the terms of the Contractual Arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding is uncertain.

***The ultimate shareholders of the Consolidated Affiliated Entities may have conflicts of interest with us.***

We have designated individuals who are PRC nationals to be the ultimate shareholders of the Consolidated Affiliated Entities. These individuals may have conflicts of interest with us. We rely on these individuals to abide by the laws of the Cayman Islands which impose fiduciary duties upon directors and officers of our Company. Such duties include the duty to act bona fide in what they consider to be in the best interest of our Company as a whole and not to place them in a position in which there is a conflict between their duties to our Company and their personal interests. On the other hand, PRC laws also provide that a director or a senior manager owes a loyalty and fiduciary duty to the company in which he or she holds such position. We cannot assure you that when conflicts arise, the Registered Shareholders will act in the best interest of our Company or that conflicts will be resolved in our favor. These individuals may breach or cause the Consolidated Affiliated Entities to breach the existing Contractual Arrangements. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

***We conduct our business operations in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.***

All the agreements which constitute the Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions and uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. In the event that we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the Consolidated Affiliated Entities.

The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interests, assets or properties of the Consolidated Affiliated Entities, compulsory relief (e.g., for the conduct of business or to compel the transfer of assets) or order the winding up of the Consolidated Affiliated Entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim relief to a party when requested for the purpose of preserving the assets and properties or enforcement measures, subject to the requirements under the PRC laws. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements by the Consolidated Affiliated Entities and/or its shareholders, and if we are

---

## RISK FACTORS

---

unable to enforce the Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities.

***If we exercise the option to acquire equity ownership and assets of the Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.***

Pursuant to the *Regulations for the Administration of Foreign-Invested Telecommunications Enterprises* (《外商投資電信企業管理規定》), or the *FITE Regulations*, promulgated by the State Council, foreign investors are not allowed to hold more than 50% of the equity interests of any company providing value-added telecommunications services (excluding e-commerce business, domestic multi-party communications, store-and-forward and call centers). Therefore, we have entered into the Contractual Arrangements with our Consolidated Affiliated Entities, pursuant to which we have been granted an irrevocable and exclusive option to purchase equity interests in, or assets of, our Consolidated Affiliated Entities. For details, see “Contractual Arrangements” in this prospectus.

If the restrictions on foreign investment in PRC value-added telecommunications services are mitigated or removed, we may need to exercise such option to satisfy the “narrowly-tailored” principle to the extent practicable and permitted under applicable PRC laws.

The equity transfer may be subject to the approvals from, or filings with, the MOFCOM, the MIIT, the SAIC and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authorities. The equity transfer price to be received by the Consolidated Affiliated Entities under the Contractual Arrangements may also be subject to enterprise income tax, and such tax amounts could be substantial.

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

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

Any loans to our wholly foreign-owned subsidiaries in China, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our wholly foreign-owned subsidiaries in China to finance their activities cannot exceed statutory limits, i.e., the difference between its total amount of investment and its registered capital, or certain amount calculated based on elements including capital or net assets and the cross-border financing leverage ratio or the Macro-prudential Management Mode, under relevant PRC laws and the loans must be registered with the local counterpart of the State Administration of Foreign Exchange, or SAFE, or filed with SAFE in its information system. We may also provide loans to our Consolidated Affiliated Entities or other domestic PRC entities under the Macro-prudential Management Mode. According to *the Circular of the PBOC and the State Administration of Foreign Exchange on Adjusting the Macro-prudent Adjustment Parameter for Cross-border Financing* (《關於調整全口徑跨境融資宏觀審慎調節參數的通知》) issued on March 11, 2020, the limit for the total amount of foreign debt under the Macro-prudential Management Mode increased to two and a half times from two times of their respective net assets. According to *the Circular to Lower the Macro-*

---

## RISK FACTORS

---

*prudential Adjustment Parameters for Cross-border Financing* (《中國人民銀行國家外匯管理局關於調整企業跨境融資宏觀審慎調節參數的通知》), issued in January 7, 2021, the macro-prudential adjustment parameter, a multiplier that decides the upper limit of outstanding cross-border financing an institution can have, has been revised to 1, down from 1.25 previously. Moreover, any medium or long-term loan to be provided by us to our Consolidated Affiliated Entities or other domestic PRC entities must also be registered with the NDRC.

We may also decide to finance our wholly foreign-owned subsidiaries in China by means of capital contributions. These capital contributions shall go through record-filing procedures from competent administration for market regulation. SAFE issued the *Circular on the Management Concerning the Reform of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises* (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), or *SAFE Circular 19*, which took effect on June 1, 2015. *SAFE Circular 19* allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC provided that such usage shall fall into the scope of business of the foreign-invested enterprise, which will be regarded as the reinvestment of foreign-invested enterprise. In addition, SAFE promulgated the *Circular Regarding Further Promotion of the Facilitation of Cross-Border Trade and Investment* (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) on October 23, 2019, or *SAFE Circular 28*, pursuant to which all foreign-invested enterprises can make equity investments in the PRC with their capital funds in accordance with the law. As *SAFE Circular 28* is new and the relevant government authorities have broad discretion in interpreting the regulation, it is unclear whether SAFE will permit such capital funds to be used for equity investments in the PRC in actual practice.

***Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.***

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our PRC subsidiaries and our Consolidated Affiliated Entities do not represent an arms-length price and adjust our Consolidated Affiliated Entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our Consolidated Affiliated Entities, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our PRC variable interest entities for under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

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

On March 15, 2019, the NPC promulgated the Foreign Investment Law or the FIL, which has become effective on January 1, 2020 and replaced the outgoing laws regulating foreign investment in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, as well their implementation rules and ancillary regulations, or the Outgoing FIE Laws. See “Regulatory Overview—Regulations Relating to Value-added Telecommunications Services” in this prospectus.

Meanwhile, the *Implementation Rules to the PRC Foreign Investment Law* (《中華人民共和國外商投資法實施條例》) came into effect as of January 1, 2020, which clarified and elaborated the relevant

---

## RISK FACTORS

---

provisions of the Foreign Investment Law. However, uncertainties still exist in relation to interpretation and implementation of the FIL, especially in regard to, including, among other things, the nature of consolidated affiliated entity contractual arrangements and specific rules regulating the organization form of foreign-invested enterprises within the five-year transition period. While FIL does not define contractual arrangements as a form of foreign investment explicitly, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in the PRC through other means as provided by laws, administrative regulations or the State Council, we cannot assure you that future laws and regulations will not stipulate contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over our Consolidated Affiliated Entities through Contractual Arrangements will not be deemed as foreign investment in the future. In the event that any possible implementing regulations of the FIL, any other future laws, administrative regulations or provisions deem contractual arrangements as a way of foreign investment, or if any of our operations through contractual arrangements is classified in the “restricted” or “prohibited” industry, or “negative list” under the FIL, our Contractual Arrangements may be deemed as invalid and illegal, and we may be required to unwind the Contractual Arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to existing Contractual Arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Furthermore, under the FIL, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. In addition, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within a five-year transition period, which means that we may be required to adjust the structure and corporate governance of certain of our PRC subsidiaries in such transition period.

### **RISKS RELATING TO DOING BUSINESS IN THE PRC**

***Economic, political and social conditions and government policies in the PRC could affect our business and prospects.***

All of our revenue is derived from our businesses in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls and resource allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for about four decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may adversely affect us. For example, our financial condition and results of operations may be adversely affected by government policies on the digital medical service industry in China or changes in tax regulations applicable to us. If the business environment in the PRC deteriorates, our business in the PRC may also be materially and adversely affected.

---

## RISK FACTORS

---

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

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

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

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

PRC regulations and rules concerning mergers and acquisitions including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds famous trademarks or PRC time-honored brands. Moreover, the Anti-Monopoly Law requires that the anti-trust governmental authority shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts or other relevant government agencies may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the MOFCOM or

---

## RISK FACTORS

---

other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

***We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.***

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local branches of the SAFE in connection with their direct or indirect offshore investment activities. The *Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or *SAFE Circular 37*, was promulgated by the SAFE in July 2014 and the *Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment* (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or *SAFE Circular 13*, issued on February 13, 2015, that require PRC residents or entities to register with the local banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as a change of PRC shareholders, the name of company, terms of operation, an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We are committed to complying with and to ensuring that our Shareholders will comply with the relevant SAFE rules and regulations. However, we cannot assure you that the SAFE or its local branches will release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such Shareholders to comply with *SAFE Circular 37* or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure. In addition, if we decide to acquire a PRC

---

## RISK FACTORS

---

domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

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

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, issued by SAFE in February 2012, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We and our directors, executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted restricted shares, restricted share units or options are subject to these regulations. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit our ability to contribute additional capital into our wholly foreign-owned subsidiaries in China and limit these subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors and employees under PRC law.

***Relevant government authorities may require us to contribute additional social insurance or housing provident funds, or impose late payment fees or fines on us.***

Pursuant to the PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, public health insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities.

During the Track Record Period, since we conducted SMO service across China and some of our CRCs were working in places where we did not have subsidiaries or branches, we engaged third-party human resources agencies to pay social insurance premium and housing provident funds for them. In addition, we did not pay social insurance and housing provident fund in full for some of our employees based on their actual salary level. The amount of shortfall of social insurance and housing provident funds was RMB2.4 million in 2019, RMB4.0 million in 2020, RMB3.4 million in 2021 and RMB1.6 million in the six months ended June 30, 2022. The total amount of historical shortfall was RMB6.9 million as of June 30, 2022, and we have accrued this shortfall amount into our financial statements. Pursuant to the PRC laws and regulations, we may be ordered to pay social insurance premium and housing provident funds for our employees under our own accounts instead of making payments under third-party accounts.

Pursuant to relevant PRC laws and regulations, the relevant PRC authorities may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions.



---

## RISK FACTORS

---

With respect to a failure to pay the full amount of housing provident fund as required, the housing provident fund management center in China may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

As a result, we may be required by competent authorities to rectify, pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court or further subject to a fine or penalty. As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to the incidents in relation to social insurance or housing provident funds. We cannot assure you that we will not be subject to any penalty, or order to rectify in the future. We may incur additional expenses to comply with such laws and regulations.

***We may be required to obtain prior approval from the CSRC for the listing and trading of our Shares on the Hong Kong Stock Exchange.***

On August 8, 2006, six regulatory authorities in China, including MOFCOM, the State Assets Supervision and Administration Commission, the STA, the State Administration of Industry and Commerce, the China Securities Regulatory Commission, or the CSRC, and the State Administration of Foreign Exchange, or the SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006, and amended on June 22, 2009. The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas listing of securities in a PRC company obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles.

Our PRC Legal Advisor is of the opinion that prior CSRC approval for this offering is not required under the M&A rules because our foreign-invested enterprises were incorporated as foreign-invested enterprises without involving acquisition of the equity or assets of a "PRC domestic company," especially a PRC domestic company owned by our Controlling Shareholder or beneficial owners who are PRC companies or individuals, as such term is defined under the M&A Rules. However, we cannot assure you that the relevant PRC government authorities, including the CSRC, will reach the same conclusion as our PRC Legal Advisor. If the CSRC or other relevant PRC government authorities subsequently determine that prior CSRC approval is required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

***We may be required to complete the filing with the CSRC for the Listing and subject to additional regulatory requirements if certain new draft regulations in relation to overseas listing are implemented in China.***

On December 24, 2021, the CSRC published the Administrative Provisions of the State Council on the Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草稿徵求意見稿)) (the "Draft Administrative Provisions"), and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (境內企業境外發行證券和上市備案管理辦法(徵求意見稿)) (the "Draft Measures for Filing", together with the Draft Administrative Provisions, the "Drafts

---

## RISK FACTORS

---

relating to Overseas Listings”) which are open for public comments until January 23, 2022. The Drafts relating to Overseas Listings require, among others, that PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted. See “Regulatory Overview—Regulations Relating To M&A Rules and Overseas Listing” for more details. As of the Latest Practicable Date, the Drafts relating to Overseas Listings have not yet come into force.

In addition, according to the “Reply to the Reporters’ Question by the CSRC Responsible Officers” (證監會有關負責人答記者問) dated December 24, 2021, the CSRC clarified that it adheres to the principle of non-retroactivity of the law, and the CSRC would start with the incremental enterprises (增量企業), i.e., impose filing procedures on incremental enterprises as well as stock enterprises (存量企業) with refinancing requests, while filing by other stock enterprises (其他存量企業) will be arranged separately so as to give them a sufficient transitional period. However, the CSRC Responsible Officers did not provide a clear definition of these terms. Therefore, whether our Company, for the purpose of this Listing, is an “incremental enterprise (增量企業)” or a “stock enterprise (存量企業)” is subject to further explanation by the CSRC.

We cannot guarantee that we will be categorized as a “stock enterprise (存量企業)” by the CSRC. If we are categorized as an “incremental enterprise (增量企業)”, we may have to incur significant time, costs and resources to comply with these regulatory requirements and have to complete the filing procedures with the CSRC with respect to this Listing. Further, even if we are categorized as a “stock enterprise (存量企業)”, we may still face more stringent regulatory requirements as compared to its current status. As such, our business operations may be materially and adversely affected. In addition, uncertainties exist regarding the final form of these regulations in relation to overseas listing as well as the interpretation and implementation thereof after promulgation. Any failure to comply with the rules and regulations relating to overseas listing may subject us to fines, penalties or other sanctions which may have a material adverse effect on our business and financial conditions as well as our ability to complete the Listing.

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

Under the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), or the EIT Law, and its implementation rules, an enterprise established outside of the PRC with “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. On April 22, 2009, the SAT issued a circular, known as *Circular 82*, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China.

Although *Circular 82* only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. If the PRC tax authorities determine that we should be classified as a PRC resident enterprise for PRC tax purposes, our global income will be subject to income tax at a uniform rate of 25%. Notwithstanding the foregoing provision, the EIT Law also provides that, if a PRC resident enterprise directly invests in another PRC

---

## RISK FACTORS

---

resident enterprise, the dividends received by the investing PRC resident enterprise from the invested PRC resident enterprise are exempted from income tax, subject to certain conditions. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company with indirect ownership interests in PRC resident enterprises through intermediary holding companies.

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

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

The State Administration of Taxation has issued several rules and notices to tighten the scrutiny over acquisition transactions in recent years, including the *Notice on Several Issues Regarding the Income Tax of Non-PRC Resident Enterprises* (《國家稅務總局關於非居民企業所得稅管理若干問題的公告》) issued in March 2011, or *SAT Circular 24*, and the *Notice on Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-PRC Resident Enterprises* (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) issued in February 2015, or *SAT Circular 7*. Pursuant to these rules and notices, if a non-PRC resident enterprise indirectly transfers PRC taxable properties, referring to properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise, by disposing of equity interest in an overseas holding company, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. *SAT Circular 7* sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC law: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC income tax on the direct transfer of such assets. Nevertheless, the indirect transfer falling into the safe harbor available under *SAT Circular 7* may not be subject to PRC tax and the scope of the safe harbor includes qualified group restructuring as specifically set out in *SAT Circular 7*, public market trading and tax treaty exemptions. In October 2017, the SAT released the *Public Notice Regarding Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source* (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》), or *SAT Public Notice 37*, effective from December 2017. *SAT Public Notice 37* replaced a series of important circulars, including but not limited to the *Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises* (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), or *SAT Circular 698*, and revised the rules

---

## RISK FACTORS

---

governing the administration of withholding tax on China-source income derived by a non-resident enterprise. *SAT Public Notice 37* provides for certain key changes to the current withholding regime, for example, the withholding obligation for a non-resident enterprise deriving dividend arises on the date on which the payment is actually made rather than on the date of the resolution that declared the dividends.

Under *SAT Circular 7* and *SAT Public Notice 37*, the entities or individuals obligated to pay the transfer price to the transferor are the withholding agents and must withhold the PRC income tax from the transfer price if the indirect transfer is subject to the PRC enterprise income tax. If the withholding agent fails to do so, the transferor should report to and pay the tax to the PRC tax authorities. In the event that neither the withholding agent nor the transferor fulfills their obligations under *SAT Circular 7* and *SAT Public Notice 37*, according to the applicable law, apart from imposing penalties such as late payment interest on the transferor, the tax authority may also hold the withholding agent liable and impose a penalty of 50% to 300% of the unpaid tax on the withholding agent. The penalty imposed on the withholding agent may be reduced or waived if the withholding agent has submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with *SAT Circular 7*.

However, as there is a lack of clear statutory interpretation, we face uncertainties on the reporting and consequences on future private equity financing transactions, share exchange or other transactions involving the transfer of shares in our Company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our Company and other non-resident enterprises in our group may be subject to filing obligations or being taxed if our Company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our Company and other non-resident enterprises in our group are transferees in such transactions. For the transfer of shares in our Company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under the rules and notices. As a result, we may be required to expend valuable resources to comply with these rules and notices or to request the relevant transferors from whom we purchase taxable assets to comply, or to establish that our Company and other non-resident enterprises in our group should not be taxed under these rules and notices. There is no assurance that the tax authorities will not apply the rules and notices to our offshore restructuring transactions where non-PRC residents were involved if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-PRC resident investors may be at risk of being taxed under these rules and notices and may be required to comply with or to establish that we should not be taxed under such rules and notices.

***Discontinuation of preferential tax rates we currently enjoy or other unfavorable changes in tax law could result in additional compliance obligations and costs.***

Our PRC subsidiaries and VIEs may, if they meet the relevant requirements, qualify for certain preferential tax treatment. For a qualified high and new technology enterprise, the applicable enterprise income tax rate is 15%. MedBanks (Beijing) Network Technology Co., Ltd (思派(北京)網絡科技有限公司), one of PRC operating entities, was qualified as a “high and new technology enterprise” and therefore is entitled to a preferential income tax rate of 15% in 2021. The high and new technology enterprise qualification is re-assessed by the relevant authorities every three years. Moreover, a qualified software enterprise is entitled to a tax holiday consisting of a two-year enterprise income tax exemption beginning with the first profit-making calendar year and a 50% enterprise income tax reduction for the subsequent three years. If such PRC subsidiaries or VIEs fail to maintain their

---

## RISK FACTORS

---

respective qualification under the relevant PRC laws and regulations, their applicable enterprise income tax rates may increase to up to 25%.

***Fluctuations in exchange rates could result in foreign currency exchange losses and may have a material adverse effect on your investment.***

The conversion of Renminbi into other currencies, including the Hong Kong dollar and U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The change in the value of the RMB against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the Hong Kong dollar or U.S. dollar in the future.

As a China-based company, any significant change in the exchange rates of the Hong Kong dollar against RMB may materially adversely affect any dividends payable on, our Shares in Hong Kong dollars. The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to complete filings with and obtain approvals from SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

***The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.***

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. In light of the flood of capital outflows of China in 2016 due to the weakening of RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

***Increases in labor costs in the PRC may adversely affect our business and our profitability.***

China's economy has experienced increases in labor costs in recent years. As China's economy continues to grow, the average wages in China are also expected to grow. Our staff cost has also increased in recent years. We expect that our staff costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on the increased staff costs to our customers by raising the price of our services, our profit margin may shrink and our results of operations may be materially and adversely affected.

---

## RISK FACTORS

---

***Implementation of the labor laws and regulations in China may adversely affect our business and results of operations. Failure to fully comply with PRC labor-related laws may expose us to potential liabilities and penalties.***

Pursuant to the *PRC Labor Contract Law* (《中華人民共和國勞動合同法》), or the *Labor Contract Law*, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. Due to lack of detailed interpretative rules and broad discretion of the local competent authorities, it is uncertain as to how the *Labor Contract Law* and its implementation rules will affect our current employment policies and practices. Our employment policies and practices may violate the *Labor Contract Law* or its implementation rules, and we may thus be subject to related penalties, fines or legal fees. Compliance with the *Labor Contract Law* and its implementation rules may increase our operating expenses, in particular our personnel expenses. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the *Labor Contract Law* and its implementation rules may also limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. On October 28, 2010, the Standing Committee of the National People's Congress promulgated the *PRC Social Insurance Law* (《中華人民共和國社會保險法》), or the *Social Insurance Law*, pursuant to which, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees. Recently, the PRC government enhanced its measures relating to social insurance collection, which may lead to stricter enforcement. Our social insurance policies and practices may violate the relevant laws and regulations, and we may thus be subject to related penalties, fines or legal fees. Compliance with the Social Insurance Law and its implementation rules may increase our operating expenses, in particular our personnel expenses. Pursuant to the *Regulations on Management of Housing Provident Fund* (《住房公積金管理條例》) promulgated by the State Council on April 1999 and was lately amended on March 24, 2019, employers must open housing provident fund account and pay housing provident fund for its employees. If an employer fails to go through the formalities or does not pay the full amount as scheduled, the relevant administration department shall order it to make rectification or make up the payment within the prescribed time limit. If an employing entity fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund account for its employees within the prescribed period, a fine shall be imposed. If an employer fails to make the payment and deposit of the housing provident fund within a prescribed time limit, an application may be made to the people's court for compulsory enforcement.

As the interpretation and implementation of labor laws and regulations are still evolving, we cannot assure you that our employment practice policy and will at all times be deemed to be in full compliance with labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

***Certain judgments obtained against us by our shareholders may not be enforceable.***

We are an exempted company incorporated in the Cayman Islands and substantially all of our current operations are conducted in China as well. In addition, a majority of our current Directors and officers are nationals and residents of China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed

---

## RISK FACTORS

---

under the applicable securities laws or otherwise. In addition, as there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

### RISKS RELATING TO THE GLOBAL OFFERING

***There has been no prior public market for our Shares prior to the Global Offering, and there can be no assurance that an active market would develop, and the price and trading volume of our Shares may be volatile.***

Prior to the completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between our Company and the Overall Coordinators (for themselves and on behalf of the Capital Market Intermediaries and the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering. We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares. However, for instance, all our existing Shareholders prior to the Global Offering are subject to a lock-up period of at least six months from the Listing Date, during which they will not, inter alia, directly or indirectly dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Shares of our Company. Accordingly, only 1.5% of our total issued Shares (assuming the Over-allotment Option is not exercised), will be free to trade immediately following the completion of the Global Offering. As a result, a listing on the Hong Kong Stock Exchange does not guarantee that an active and liquid trading market for our Shares will develop, especially during the period when a significant portion of our Shares are subject to lock-up undertakings, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will rise following the Global Offering.

***The price and trading volume of our Shares may be volatile, which could lead to substantial losses to you.***

The price and trading volume of our Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our Shares. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons, such as the results of clinical trials of our drug candidates, the results of our applications for approval of our drug candidates, regulatory developments affecting the pharmaceutical industry, healthcare, health insurance and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel or actions taken by competitors. Moreover, shares of other companies listed on the Hong Kong Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance. In addition, the price and trading volume of our Shares may decline if securities or industry analysts do not publish research reports about our

---

## RISK FACTORS

---

business, or if one or more analysts who cover us downgrade our Shares or publish negative opinions about us regardless of the accuracy of the information.

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

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

The Shares held by our existing shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Hong Kong Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares immediately after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sale of Shares and the availability of these Shares for future sale may have negative impact on the market price of our Shares.

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

As the Offer Price of Shares is higher than the net tangible book value per share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

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

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

Our board of directors has discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our Company may only pay dividends either out of profits or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts at they fall due in the ordinary course of business. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.



---

## RISK FACTORS

---

***We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.***

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

***Facts, forecasts and statistics in this Prospectus relating to the PRC and global economy and the healthcare industry may not be fully reliable.***

Facts, forecasts and statistics in this Prospectus relating to the PRC and global economy and healthcare industry in China and overseas markets are obtained from various sources including official government publications that we believe are reliable. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Underwriters nor our or their respective affiliates or advisors have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this Prospectus relating to the PRC and global economy and the healthcare industry in China and overseas markets may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

***There will be a time gap of several business days between pricing and trading of our Shares offered in the Global Offering. Holders of our Shares are subject to the risk that trading prices of our Shares could fall during the period before trading of our Shares begins.***

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, given our longer time gap of several business days between pricing and trading of our Shares offered in the Global Offering, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of unfavorable market conditions, or other adverse developments, that could occur between the time of sale and the time trading begins.

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

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include

---

## **RISK FACTORS**

---

references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

---

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND  
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

---

In preparation for the Listing, we have sought the following waivers from strict compliance with the Listing Rules and exemptions from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

**WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG**

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our management, business operations and assets are primarily located outside Hong Kong. The principal management headquarters of our Group are primarily based in the PRC. Our Company considers that our Group's management is best able to attend to its functions by being based in the PRC. None of our executive Directors is or will be ordinarily resident in Hong Kong after the Listing of our Company. Our Directors consider that relocation of our executive Directors to Hong Kong will be burdensome and costly for our Company, and it may not be in the best interests of our Company and our Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong. As such, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, provided that our Company implements the following arrangements to maintain effective communication between the Stock Exchange and us:

- (i) pursuant to Rule 3.05 of the Listing Rules, the Company has appointed and will continue to maintain two authorized representatives, namely, Mr. Li and Ms. TSANG Wing Man, being an executive Director and a joint company secretary, to be the principal communication channel at all times between the Stock Exchange and our Company. Each of our Company's authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;
- (ii) as and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorized representatives has the means to contact all of our Directors (including the independent non-executive Directors) promptly at all times;
- (iii) although our executive Directors are not ordinary residents in Hong Kong, each of our Directors not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period of time, when required;
- (iv) we have appointed Alliance Capital Partners Limited as our compliance adviser (the "**Compliance Adviser**"), pursuant to Rule 3A.19 of the Listing Rules, who will have access at all times to our authorized representatives, Directors and senior management, and will act as an additional channel of communication between the Stock Exchange and us for the period commencing from the Listing Date to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The Compliance Adviser will maintain constant contact with the

---

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND  
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

---

authorized representatives, Directors and senior management through various means, including regular meetings and telephone discussions whenever necessary. Our authorized representatives, Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser’s duties as set forth in Chapter 3A of the Listing Rules;

- (v) we have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number, fax number (where available) and e-mail address), and in the event that any Director expects to travel or otherwise be out of the office, he will provide the phone number of the place of his accommodation to the authorized representatives; and
- (vi) we will also retain legal advisors to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after Listing.

**WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES**

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

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

- (i) a member of The Hong Kong Institute of Chartered Secretaries;
- (ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

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

- (i) length of employment with the issuer and other issuers and the roles they played;
- (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

Our Company appointed Ms. TSANG Wing Man of SWCS Corporate Services Group (Hong Kong) Limited and Ms. REN Na, as joint company secretaries. See “Directors and Senior Management—Joint Company Secretaries” in this prospectus for their biographies.

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

---

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND  
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

---

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

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules for a three year period from the Listing Date on the conditions that (i) the waiver will be revoked immediately if Ms. TSANG Wing Man ceases to provide assistance to Ms. REN Na throughout the three year period, and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company.

**WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS**

We have entered into, and expect to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Chapter 14A of the Listing Rules. See "Connected Transactions" in this prospectus for further details.

**WAIVER AND EXEMPTION IN RESPECT OF THE OUTSTANDING 2017 PLAN OPTIONS**

Under Rule 17.02(1)(b) of the Listing Rules, our Company is required to disclose in this prospectus full details of all outstanding options and their potential dilution effect on the shareholdings upon Listing as well as the impact on the earnings per Share arising from the exercise of such outstanding options.

Under paragraph 27 of Appendix 1A to the Listing Rules, our Company is required to disclose in this prospectus particulars of any capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantees, or an appropriate negative statement.

Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance, our Company is required to disclose in this prospectus the number, description and amount of any Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of the option, namely the period during which it is exercisable, the price to be paid for the Shares subscribed for under it, the consideration (if any) given or to be given for it and the names and addresses of the persons to whom it was given.

As of the Latest Practicable Date, our Company had granted outstanding 2017 Plan Options to 202 grantees to subscribe for an aggregate of 10,898,405 Shares, representing approximately 1.43% of the total number of Shares in issue immediately after completion of the Global Offering (assuming neither the Over-allotment Option nor any outstanding 2017 Plan Options are exercised), on the terms set out in "Statutory and General Information—D. Share Schemes" in this prospectus. Our Company will not grant further 2017 Plan Options after the Listing. The grantees of the outstanding 2017 Plan Options include current employees, former employees and external consultants of our Group. None of the grantees of the outstanding 2017 Plan Options are Directors, senior management or connected persons of our Company.

---

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND  
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

---

Our Company has applied (i) to the Hong Kong Stock Exchange a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) to the SFC a certificate of exemption from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the ground that strict compliance with the above requirements would be unduly burdensome for our Company and the exemption and waiver would not prejudice the interest of the investing public for the following reasons:

- (a) given that 202 grantees are involved, strict compliance with such disclosure requirements would be costly and unduly burdensome for our Company in light of a significant increase in cost and timing for information compilation, prospectus preparation and seeking consent from each grantee to disclose his/her personal information (including residential address) in this prospectus;
- (b) the disclosure of key information of the 2017 Plan and the outstanding 2017 Plan Options in this prospectus, has provided potential investors with sufficient information to make an informed assessment of the potential dilution effect and impact on earnings per Share of the outstanding 2017 Plan Options in their investment decision making process; and
- (c) the lack of full compliance with the above disclosure requirements would not prevent potential investors from making an informed assessment of the activities, assets, liabilities, financial position, management and prospects of the Group and will not prejudice the interest of potential investors.

The Hong Kong Stock Exchange has granted us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules subject to the following conditions:

- (a) the grant of a certificate of exemption from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) on an individual basis, full details of all the outstanding 2017 Plan Options granted by the Company under the 2017 Plan to each of the Directors, senior management, connected persons of the Company (if any), including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be disclosed in the prospectus;
- (c) disclosure in this prospectus of a summary of the principal terms of the 2017 Plan;
- (d) disclosure in this prospectus of the aggregate number of Shares underlying the outstanding 2017 Plan Options and the percentage of the Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date;
- (e) in respect of the outstanding 2017 Plan Options granted by our Company to the remaining grantees other than those referred to in sub-paragraph (b) above, disclosure will be made on aggregate basis, categorized into lots based on the number of Shares underlying the outstanding 2017 Plan Options granted to each individual grantee, being (1) 1 to 29,999 Shares, (2) 30,000 to 59,999 Shares, (3) 60,000 to 89,999 Shares, (4) 90,000 to 119,999 Shares and (5) 120,000 or more Shares. For each lot, the following disclosure will be made on an aggregated basis: (1) the aggregate number of grantees and number of Shares underlying the outstanding 2017 Plan

---

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND  
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

---

Options as of the Latest Practicable Date, (2) the exercise period and the exercise price of the outstanding 2017 Plan Options and (3) the approximate percentage of the total number of Shares in issue immediately after completion of the Global Offering (assuming neither the Overallotment Option nor any outstanding 2017 Plan Options are exercised);

- (f) disclosure in this prospectus of the dilution effect and impact on earnings per Share upon full exercise of the outstanding 2017 Plan Options;
- (g) the following details of the outstanding 2017 Plan Options be disclosed in this prospectus: (i) the aggregate number of the grantees, (ii) the number of Shares underlying the outstanding 2017 Plan Options, (iii) the consideration paid for the grant of the outstanding 2017 Plan Options, and (iv) the exercise period and exercise price of the outstanding 2017 Plan Options;
- (h) a full list of all the grantees with outstanding 2017 Plan Options containing all the particulars as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies and on Display—Documents Available for Inspection” in Appendix V to this prospectus; and
- (i) the particulars of the waiver and exemption be disclosed in this prospectus.

The SFC has granted us a certificate of exemption from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance subject to the following conditions:

- (a) full details of the Options granted by our Company under the 2017 Plan to each of the Directors, senior management, connected persons of our Company and other grantees who has been granted Options to subscribe for 500,000 Shares of the Company or more are disclosed in the prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) the following details of the Options granted under the 2017 Plan be disclosed in the Prospectus: (i) the aggregate number of the grantees, (ii) the number of Shares underlying the Options granted under the 2017 Plan, (iii) the consideration paid for the grant of the Options granted under the 2017 Plan, and (iv) the exercise period and exercise price of the Options granted under the 2017 Plan;
- (c) in respect of the Options granted under the 2017 Plan granted by the Company to the remaining grantees other than those referred to in sub-paragraph (a) above, disclosure will be made on aggregate basis, categorized into lots based on the number of Shares underlying the Options granted under the 2017 Plan granted to each individual grantee, being (1) 1 to 29,999 Shares, (2) 30,000 to 59,999 Shares, (3) 60,000 to 89,999 Shares, (4) 90,000 to 119,999 Shares and (5) 120,000 or more Shares. For each lot, the following disclosure will be made on an aggregated basis: (1) the aggregate number of grantees and number of Shares underlying the Options granted under the 2017 Plan as of the Latest Practicable Date, (2) the exercise period and the exercise price of the Options granted under the 2017 Plan and (3) the approximate percentage of the total number of Shares in issue immediately after completion of the Global Offering (assuming neither the Overallotment Option nor any Options granted under the 2017 Plan are exercised);
- (d) a full list of all the grantees (including the persons referred to sub-paragraph (a) above) who have been granted Options to subscribe for Shares under the 2017 Plan, containing all the details as

---

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND  
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

---

required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies and on Display—Documents Available for Inspection” in Appendix V to this prospectus; and

- (e) the particulars of the exemption be disclosed in this prospectus, and this prospectus will be issued on or before December 12, 2022.

**WAIVER AND EXEMPTION IN RELATION TO THE PROPOSED ACQUISITIONS AFTER THE TRACK RECORD PERIOD**

Pursuant to Rules 4.04(2) and 4.04(4) of the Listing Rules, the issuer shall include in its accountant’s report the results and balance sheet of any subsidiaries and/or businesses acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

According to Note (4) to Rule 4.04 of the Listing Rules, the Stock Exchange may consider an application for a waiver from strict compliance with Rules 4.04(2) and 4.04(4) taking into account the following:

- (a) that all the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of each acquisition are less than 5% by reference to the most recent financial year of the applicant’s trading record period;
- (b) if the acquisition will be financed by the proceeds raised from a public offer, the new applicant has obtained a certificate of exemption from the Commission in respect of the relevant requirements under paragraphs 32 and 33 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (c)
  - (i) where a new applicant’s principal activities involve the acquisition of equity securities (the Stock Exchange may require further information where securities acquired are unlisted), the new applicant is not able to exercise any control, and does not have any significant influence over the underlying company or business to which Rules 4.04(2) and 4.04(4) relate, and has disclosed in its listing document the reasons for the acquisition and a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the new applicant and its connected persons. In this regard, “control” means the ability to exercise or control the exercise of 30% (or any amount specified in the Takeovers Code as the level for triggering a mandatory general offer) or more of the voting power at general meeting, or being in a position to control the composition of a majority of the board of directors of the underlying company or business; or
  - (ii) with respect to an acquisition of a business (including acquisition of an associated company and any equity interest in a company other than in the circumstances covered under sub-paragraph (a) above) or a subsidiary by a new applicant, the historical financial information of such business or subsidiary is unavailable, and it would be unduly burdensome for the new applicant to obtain or prepare such financial information; and the new applicant has disclosed in its listing document information required for the announcement for a disclosable transaction under Rules 14.58 and 14.60 on each acquisition. In this regard, “unduly burdensome” will be assessed based on each new applicant’s specific facts and circumstances (e.g. why the financial information of the



---

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND  
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

---

acquisition target is not available and whether the new applicant or its controlling shareholder has sufficient control or influence over the seller to gain access to the acquisition target's books and records for the purpose of complying with the disclosure requirements under rules 4.04(2) and 4.04(4).

**Proposed Acquisition of Smart Pharmacy**

In March 2022, we proposed to acquire 45% of the total issued shares of Sinopharm Holdings Smart Pharmacy (Hubei) Co., Ltd. (國藥控股思維特大藥房(湖北)有限公司) (“**Smart Pharmacy**”) from Sinopharm Group Hubei Co., Ltd. (國藥控股湖北有限公司) (“**Sinopharm Group**”) (the “**Proposed Acquisition of Smart Pharmacy**”). We have indirectly held 35% of the equity interest in Smart Pharmacy since its establishment in 2018. Upon completion of the Proposed Acquisition, we will indirectly hold 80% of the equity interest in Smart Pharmacy, and Smart Pharmacy will become an indirect subsidiary of our Company.

As of the Latest Practicable Date, the Proposed Acquisition of Smart Pharmacy is under preliminary discussion, and no legally binding agreement had been entered into between Sinopharm Group and us. Sinopharm Group initiated the tender procedure for the sale of the 45% equity interest in Smart Pharmacy in October 2022 and the consideration shall not be less than RMB3,218,118.75. The final consideration is subject to the tender procedure and is expected to be settled in cash. As of the Latest Practicable Date, the final consideration had not been determined. When making the offer, our Company will take into account, among other things, the valuation of Smart Pharmacy at the material time, status of the business and operations of Company, and will ensure that the consideration of the Proposed Acquisition of Smart Pharmacy (if consummated) is reasonable and fair and in the interests of our Shareholders as a whole. There is no guarantee that we will win the bid and complete the Proposed Acquisition of Smart Pharmacy.

Smart Pharmacy is primarily engaged in the retail of drugs and pharmaceutical products in Hubei Province. Sinopharm Group, a subsidiary of Sinopharm Group Co., Ltd. (國藥控股股份有限公司) (a company listed on the Stock Exchange, stock code: 1099), is a state-owned enterprise primarily engaged in the distribution of pharmaceutical products. We believe that the Proposed Acquisition of Smart Pharmacy is complementary to our principal businesses and will enhance our presence in Hubei Province. The Proposed Acquisition of Smart Pharmacy, if consummated, will be conducted on fair and reasonable terms which are in the interests of our Shareholders as a whole.

To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, the Sinopharm Group and its ultimate beneficial owners are third parties independent from our Company and our connected persons.

According to the management accounts furnished by Smart Pharmacy:

- (a) the total assets of Smart Pharmacy amounted to approximately RMB11.59 million as of December 31, 2021, and its total revenue, profit before tax and profit after tax amounted to approximately RMB71.59 million, RMB0.40 million and RMB0.39 million, respectively, for the year ended December 31, 2021; and
- (b) the total assets of Smart Pharmacy amounted to approximately RMB10.89 million as of December 31, 2020, and its total revenue, loss before tax and loss after tax amounted to approximately RMB67.66 million, RMB0.18 million and RMB0.18 million, respectively, for the year ended December 31, 2020.

---

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND  
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

---

**Proposed Acquisition of Realcan Pharmaceutical**

In November 2022, we proposed to acquire 25% of the total issued shares of Realcan Pharmaceutical Shanxi Co., Ltd. (瑞康醫藥山西有限公司) (“**Realcan Pharmaceutical**”) from Shanxi Realcan Binhai Medical Device Co., Ltd. (山西瑞康濱海醫療器械有限公司) (“**Shanxi Realcan Binhai**”) (the “**Proposed Acquisition of Realcan Pharmaceutical**”, together with the Proposed Acquisition of Smart Pharmacy, the “**Proposed Acquisitions**”). We do not hold any equity interest in Realcan Pharmaceutical since its establishment in 2000. Upon completion of the Proposed Acquisition of Realcan Pharmaceutical, we will indirectly hold 25% of the equity interest in Realcan Pharmaceutical.

As of the Latest Practicable Date, the Proposed Acquisition of Realcan Pharmaceutical was under preliminary discussion, and no legally binding agreement had been entered into between Shanxi Realcan Binhai and us. As of the Latest Practicable Date, the consideration had not been determined. When making the offer, our Company will take into account, among other things, the valuation of Realcan Pharmaceutical at the material time, status of the business and operations of Company, and will ensure that the consideration of the Proposed Acquisition of Realcan Pharmaceutical (if consummated) is reasonable and fair and in the interests of our Shareholders as a whole. There is no guarantee that we will complete the Proposed Acquisition of Realcan Pharmaceutical.

Realcan Pharmaceutical is primarily engaged in the sales of drugs and pharmaceutical products in Shanxi Province. Shanxi Realcan Binhai, a subsidiary of Realcan Pharmaceutical Group Co., Ltd. (瑞康醫藥集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002589), is a company primarily engaged in the sales of medical devices and provision of relevant services. We believe that the Proposed Acquisition of Realcan Pharmaceutical is complementary to our principal businesses and will enable us to establish our pharmaceutical supply chain in the Northern China. The Proposed Acquisition of Realcan Pharmaceutical, if consummated, will be conducted on fair and reasonable terms which are in the interests of our Shareholders as a whole.

To the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, Shanxi Realcan Binhai and its ultimate beneficial owners are third parties independent from our Company and our connected persons.

According to the management accounts furnished by Realcan Pharmaceutical:

- (a) the total assets of Realcan Pharmaceutical amounted to approximately RMB101.85 million as of December 31, 2021, and its total revenue, loss before tax and loss after tax amounted to approximately RMB153.01 million, RMB1.46 million and RMB1.65 million, respectively, for the year ended December 31, 2021; and
- (b) the total assets of Realcan Pharmaceutical amounted to approximately RMB97.65 million as of December 31, 2020, and its total revenue, profit before tax and profit after tax amounted to approximately RMB154.61 million, RMB1.42 million and RMB1.02 million, respectively, for the year ended December 31, 2020.

**Conditions to the waivers granted by the Stock Exchange**

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in respect of each of the Proposed Acquisitions on the following grounds:

---

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND  
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

---

**(a) All the applicable percentage ratios of the Proposed Acquisitions are less than 5%**

All the applicable percentage ratios in relation to each of the Proposed Acquisitions are below 5% by reference to the most recent financial year of the Track Record Period. Accordingly, our Company believes that Proposed Acquisitions are immaterial and will not significantly affect the financial position of our Group as a whole.

**(b) The Proposed Acquisitions will not be financed by the proceeds raised from the Global Offering**

We will use our internal resources to satisfy the consideration payable in relation to the Proposed Acquisitions (if consummated).

**(c) The historical financial information of Smart Pharmacy and Realcan Pharmaceutical would be unduly burdensome to obtain or prepare**

As of the Latest Practicable Date, Smart Pharmacy was indirectly held by our Company as to 35% and its results were not consolidated into the financial statements of our Company, and we did not hold any equity interest in Realcan Pharmaceutical. Neither Smart Pharmacy nor Realcan Pharmaceutical have audited historical financial information which is readily available for disclosure in this prospectus in accordance with the Listing Rules. It would require considerable amount of time and resources for our Company and the Reporting Accountants to fully familiarize themselves with the accounting policies of Smart Pharmacy or Realcan Pharmaceutical and compile necessary financial information and supporting documents for disclosure in this prospectus. Further, we do not involve in the daily management of Smart Pharmacy or Realcan Pharmaceutical and do not control or have any significant influence over Smart Pharmacy or Realcan Pharmaceutical. As we have not entered into any legally-binding agreement in relation to the Proposed Acquisitions, we are not in a position to request Smart Pharmacy or Sinopharm Group, Realcan Pharmaceutical or Shanxi Realcan Binhai to cooperate with us in preparing the audited historical financial information of Smart Pharmacy or Realcan Pharmaceutical. As such, it would be impractical and unduly burdensome for us to disclose the audited financial information of Smart Pharmacy or Realcan Pharmaceutical in this prospectus as required under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules.

In addition, considering that the Proposed Acquisitions are immaterial and are not expected to have any material effect on the financial condition of our Group, it would not be meaningful for us to prepare and include the financial information of Smart Pharmacy and Realcan Pharmaceutical during the Track Record Period in this prospectus.

**(d) Our Company has adopted alternative disclosure in this prospectus**

To allow the potential investors to better understand the details of Proposed Acquisitions, we have disclosed the following information in relation to the Proposed Acquisitions in this prospectus, which is comparable to the information that is required to be included in the announcement of a disclosable transaction under Chapter 14 of the Listing Rules, including, among other things, (i) general description of the scope of principal business activities of Smart Pharmacy and Realcan Pharmaceutical; (ii) the status of the Proposed Acquisitions; (iii) the assets value, revenue, profits/loss before tax and profits/loss after tax of Smart Pharmacy and Realcan Pharmaceutical; and (iv) reasons for and benefits of the Proposed Acquisitions.

---

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

---

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors (including any proposed director who is named as such in the prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 992,000 Shares and the International Offering of initially 8,927,400 Shares (subject, in each case, to reallocation on the basis set out in “Structure of the Global Offering” in this prospectus and without taking into account the Over-allotment Option).

The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about December 15, 2022. Further information regarding the Underwriters and the underwriting arrangements are set out in “Underwriting”.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Offer Shares to, confirm that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any

---

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

---

person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, our Shares in issue prior to the Global Offering and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

### **OVER-ALLOTMENT AND STABILIZATION**

Details of the arrangement relating to the Over-allotment Option and stabilization are set out in “Structure of the Global Offering”.

### **HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY**

The Company’s principal register of members will be maintained by its principal share registrar, Campbells Corporate Services Limited, in the Cayman Islands. All of the Shares issued pursuant to the Global Offering will be registered on the Company’s Hong Kong register of members to be maintained in Hong Kong by its Hong Kong Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Dealings in the Shares registered in our Company’s Hong Kong register of members will be subject to Hong Kong stamp duty. Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong register of members of our Company, by ordinary post, at the Shareholders’ risk, to the registered address of each Shareholder.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as

---

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

---

eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

### **PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES**

The procedures for applying for Hong Kong Offer Shares are set out in “How to Apply for Hong Kong Offer Shares”.

### **STRUCTURE OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering”.

### **EXCHANGE RATE CONVERSION**

Solely for convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, the conversions between (i) Renminbi and Hong Kong dollars were made at the rate of RMB0.90453 to HK\$1.00, (ii) U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.7813 to US\$1.00, and (iii) U.S. dollars and Renminbi were made at the rate of RMB7.0384 to US\$1.00.

### **LANGUAGE**

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only, and the names in their respective original languages shall prevail.

### **ROUNDING**

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

---

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

---

### DIRECTORS

Name	Address	Nationality
<b>Executive Directors</b>		
Mr. MA Xuguang (馬旭廣)	Room 602, Block No. 7 No. 14 Zaojunmiao Haidian District, Beijing PRC	Chinese
Mr. LI Ji (李繼)	Hu No. 56, No. 115 Jiefang North Road Jiancaoping District, Taiyuan Shanxi Province PRC	Chinese
<b>Non-executive Directors</b>		
Mr. YAO Leiwen (姚磊文)	Room 2802, Unit 1 Block 5, Guanhuoguoji 88 East 4 <sup>th</sup> Ring Chaoyang District, Beijing PRC	Chinese
Mr. ZHANG Ziquan (張自權)	Flat C, 50/F, Block 1 The Arch (Sky Tower) 1 Austin Road West, Jordan Kowloon Hong Kong	Chinese
<b>Independent non-executive Directors</b>		
Mr. CHANG Stanley Yi (張翊, alias 張翌軒)	Room 1902, Building 5 Lane 600, Golden City Road Changning District Shanghai PRC	American
Mr. HE Haijian (何海建)	Apartment 5B, Crescent II, The Hillgrove No. 9 Tsing Fat Lane Siu Lam Hong Kong	Chinese
Ms. HUANG Bei (黃蓓)	No. 53 399 Lane Xiangnan Road, Shanghai PRC	Chinese

See “Directors and Senior Management” in this prospectus for further details.

---

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

---

### PARTIES INVOLVED IN THE GLOBAL OFFERING

#### Joint Sponsors

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

**Haitong International Capital Limited**  
Suites 3001-3006 and 3015-3016  
One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

#### Sponsor-Overall Coordinators, Overall Coordinators, Joint Global Coordinators and Capital Market Intermediaries

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

**Haitong International Securities Company Limited**  
22/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

#### Joint Bookrunners and Joint Lead Managers

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

**Haitong International Securities Company Limited**  
22/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

#### Joint Lead Managers and Capital Market Intermediaries

**Futu Securities International (Hong Kong) Limited**  
Unit C1-2 13/F United Centre  
No.95 Queensway  
Admiralty  
Hong Kong

**Maxa Capital Limited**  
Unit 1908, Harbour Center  
25 Harbour Road  
Wanchai  
Hong Kong



---

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

---

**I Win Securities Limited**

Room 201, 2/F, China Insurance Group Building  
141 Des Voeux Road Central  
Central  
Hong Kong

**Legal advisers to our  
Company**

*As to Hong Kong and U.S. laws*

**O'Melveny & Myers**

31/F, AIA Central  
1 Connaught Road Central  
Hong Kong

*As to PRC law*

**Jingtian & Gongcheng**

34/F, Tower 3, China Central Place  
77 Jianguo Road  
Chaoyang District, Beijing  
PRC

*As to Cayman Islands law*

**Campbells**

1301, 13/F  
York House, The Landmark  
15 Queen's Road Central  
Hong Kong

**Legal advisers to the  
Joint Sponsors and  
the Underwriters**

*As to Hong Kong and U.S. laws*

**Clifford Chance**

27/F, Jardine House  
One Connaught Place  
Central  
Hong Kong

*As to PRC law*

**Commerce & Finance Law Offices**

12-14th Floor, China World Office 2  
No. 1 Jianguomenwai Avenue  
Beijing  
PRC

**Reporting accountants  
and independent  
auditor**

**Ernst & Young**

*Certified Public Accountants  
Registered Public Interest Entity Auditor*  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

---

**DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

---

**Industry consultant****China Insights Consultancy Limited**

10F, Block B  
Jing'an International Center  
88 Puji Road  
Jing'an District, Shanghai  
PRC

**Receiving bank****The Hongkong and Shanghai Banking Corporation Limited**

8/F, Tower 2, HSBC Centre  
1 Sham Mong Road  
Kowloon, Hong Kong

---

## CORPORATE INFORMATION

---

<b>Registered Office in the Cayman Islands</b>	Campbells Corporate Services Limited Floor 4, Willow House, Cricket Square Grand Cayman KY1-9010 Cayman Islands
<b>Headquarters and Principal Place of business in the PRC</b>	Units 11-13 26/F, Tower A Guangzhou Biosciences Innovation Center No. 51, Luoxuan Avenue Guangzhou International Bio Island Guangzhou Guangdong Province PRC  Block 17, Xinqiwang Building No. 1, Dongdadi Street Dongcheng District Beijing PRC  7/F, Building 3 Xingguangyao Plaza No. 1888, Caoyang Road Putuo District, Shanghai PRC
<b>Principal place of business in Hong Kong</b>	40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
<b>Company website</b>	<b><u><a href="http://www.medbankshealthtech.com">www.medbankshealthtech.com</a></u></b> <i>(Information contained on this website does not form part of this prospectus)</i>
<b>Joint company secretaries</b>	Ms. REN Na 7/F, Building 3 Xingguangyao Plaza No. 1888, Caoyang Road Putuo District, Shanghai PRC  Ms. TSANG Wing Man 40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong

---

## CORPORATE INFORMATION

---

<b>Authorized representatives</b>	Mr. LI Ji Hu No. 56, No. 115 Jiefang North Road Jiancaoping District, Taiyuan Shanxi Province PRC
	Ms. TSANG Wing Man 40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
<b>Audit committee</b>	Mr. CHANG Stanley Yi ( <i>Chairperson</i> ) Mr. HE Haijian Ms. HUANG Bei
<b>Remuneration and appraisal committee</b>	Mr. HE Haijian ( <i>Chairperson</i> ) Mr. LI Ji Ms. HUANG Bei
<b>Nomination committee</b>	Mr. MA Xuguang ( <i>Chairperson</i> ) Mr. HE Haijian Mr. CHANG Stanley Yi
<b>Strategy committee</b>	Mr. MA Xuguang ( <i>Chairperson</i> ) Mr. LI Ji Mr. YAO Leiwen Mr. ZHANG Ziquan
<b>Principal share registrar and transfer office</b>	<b>Campbells Corporate Services Limited</b> Floor 4, Willow House, Cricket Square Grand Cayman, KY1-9010 Cayman Islands
<b>Hong Kong Share Registrar</b>	<b>Tricor Investor Services Limited</b> 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
<b>Compliance advisor</b>	<b>Alliance Capital Partners Limited</b> Room 1502-03A, 15/F Wing On House 71 Des Voeux Road Central Hong Kong
<b>Principal banks</b>	<b>Shanghai Pudong Development Bank, Jing'an Branch</b> No. 88, Shimen 2 <sup>nd</sup> Road Jing'an District Shanghai PRC

---

## CORPORATE INFORMATION

---

**China Merchants Bank, Tiyu East Road Sub-branch**

1/F, Goldlion Building  
No. 138, Tiyu East Road  
Guangzhou, Guangdong Province  
PRC

**China Merchants Bank, Offshore Banking Center**

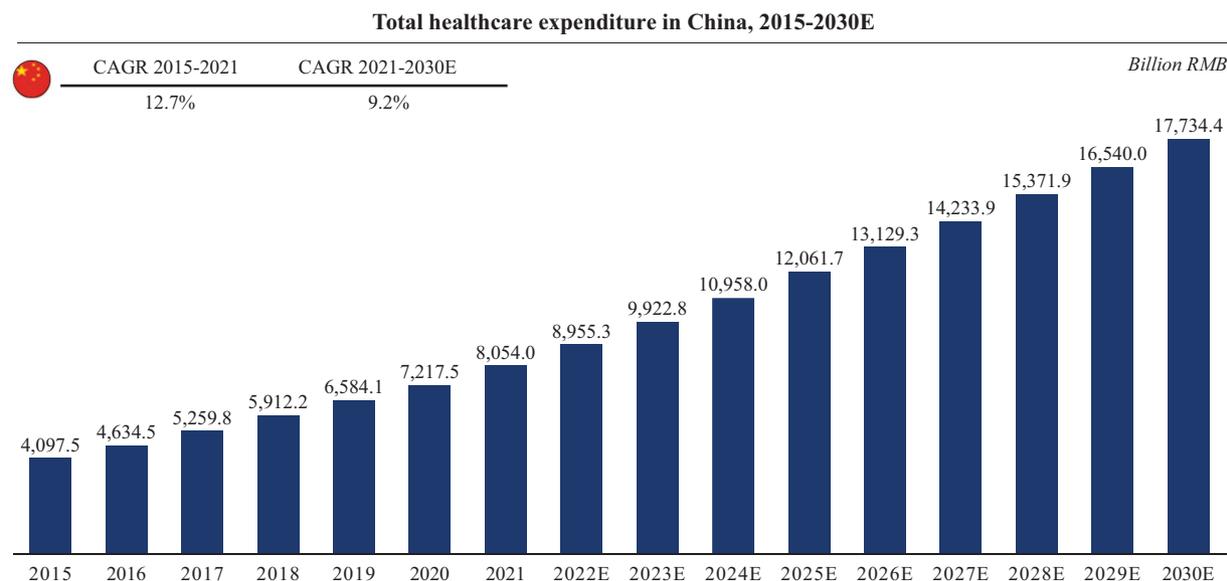
23/F, China Merchants Bank Shenzhen Branch Building  
No.2016 Shennan Boulevard  
Futian District  
Shenzhen, Guangdong Province  
PRC

## INDUSTRY OVERVIEW

*The information and statistics set out in this section and other sections of this prospectus were extracted from the report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, Sponsor-Overall Coordinators, Overall Coordinators, Joint Global Coordinators, Capital Market Intermediaries, Joint Bookrunners, Joint Lead Managers, Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.*

### OVERVIEW OF HEALTHCARE INDUSTRY IN CHINA

The healthcare industry is an important part of China’s national economy. China’s healthcare expenditure is significant and has been growing steadily, from RMB4,097.5 billion in 2015 to RMB8,054.0 billion in 2021, at a CAGR of 12.7%. It is expected to reach RMB17,734.4 billion in 2030, at a CAGR of 9.2% from 2021 to 2030.



Source: China Health Statistics Yearbook, CIC Report

### Growth Drivers of Healthcare Industry in China

- **Aging Population.** In 2021, people aged 65 years old or above accounted for 14.2% of the total population in China, according to the National Bureau of Statistics of the PRC. The trend of an aging population is expected to continue in the coming decades. As health condition generally deteriorates with age, the elderly are more likely to suffer from chronic and critical diseases, which leads to an increasing demand for medical products and healthcare services.
- **Increasing Prevalence of Chronic and Critical Disease.** Chronic and critical diseases, such as cancer, are increasingly prevalent in China, especially among the younger generation. For instance, cancer incidence continues to rise, and the disease has been in the limelight given its societal and personal impact. According to the National Central Cancer Registry and WHO, new cases of the top ten cancers in China have increased from approximately 3.0 million in 2015 to 3.7 million in 2021. Patients, especially those with critical diseases, demand innovative therapies, such as targeted therapy, immunotherapy and cell therapy, to an increasing extent.

---

## INDUSTRY OVERVIEW

---

- *Changing Healthcare Payment Landscape.* According to the National Bureau of Statistics of the PRC, Chinese people's annual per capita disposable income increased from RMB21,966 in 2015 to RMB35,128 in 2021, at a CAGR of 8.1%. In the meanwhile, the Chinese government has been promoting a multi-tiered health insurance system in recent years to cover different groups of people. The national basic medical insurance guarantees affordability of treatment for most common diseases, while commercial insurance serves as a supplementary payment solution to cater to the demand for additional treatment options, typically innovative therapies and medications. The establishment of multi-tiered health insurance system and increasing disposable income have greatly improved individuals' ability to afford healthcare products and services. In addition, as living standards improve, Chinese people are increasingly willing to pay for healthcare as they pay more attention to their health and quality of life, contributing to the growth of China's healthcare market.

### Major Challenges to Healthcare Industry in China

- *Inefficient Use of Healthcare Resource.* Due to the lack of a mature tiered healthcare delivery system in China, a large proportion of patients prefer to visit Class III hospitals instead of primary care institutions even for a common disease, resulting in overuse of specialists and underutilization of primary care providers. According to the National Health Commission, 3,178 Class III hospitals in China accounted for only 8.7% of all hospitals but 56.8% of all patient visits in China in 2021. The inefficiency of traditional healthcare system in providing medical service results in a suboptimal experience for patients to seek quality healthcare and medication guidance. Moreover, the absence of a tiered diagnosis and treatment system associated with follow-up assessment in traditional healthcare system can also lead to an unsatisfactory results of the medical journey.
- *Unmet Demand for Innovative Medical Products and Services.* Chinese patients increasingly demand innovative therapies addressing their unmet needs for the treatment of life-threatening diseases and the improvement of patients' quality of life. However, despite the reform to expedite the innovative drug R&D approval procedure implemented in recent years, the clinical trial management of innovative drugs in China still lags behind patients' growing unmet medical needs, mainly due to the lengthy R&D and commercialization process of innovative drugs by nature. To better match Chinese physicians' time and efforts devoted to clinical trials, pharmaceutical companies have an urgent demand to enhance their clinical trial management capabilities with the assistance from external professional service providers.
- *Underdeveloped Commercial Health Payers.* As of December 31, 2021, the national basic medical insurance covered 96.6% of China's total population, according to the National Health Commission. It provides coverage for the broadest population on fundamental medical care. While commercial insurance is expected to play a vital role in covering critical diseases, indicating an urgent need for establishing a multi-tiered health insurance system to serve different groups of people.

Medical expenses are those incurred in the prevention or treatment of injury or disease. Despite the essential role in paying for critical diseases, according to the CBIRC, commercial insurance claim spending accounted for only 7.3% of the total medical expense in 2021 in China, which is significantly lower than that in developed countries. In addition, commercial insurance products in China are homogenous, failing to satisfy the diversified needs of different groups of patients at present.

Health management service providers aim to improve the efficient use of healthcare resource, which are expected to play meaningful roles in creating a more accessible health system in China. Health

---

## INDUSTRY OVERVIEW

---

management service helps patients find the most suitable specialists in an efficient manner with professional medical referral. In addition, professional pharmacies with pharmacist services can amplify pharmacists' reach by delivering medication guidance, and conducting follow-up assessment outside the hospital, which helps alleviate the inadequate provision of pharmacist services inside the hospital.

Site management organizations (“SMOs”) provide tailored assistance to investigators on various non-clinical works, thus to expedite the drug development and enhance the overall clinical trial compliance. Pharmaceutical companies could accelerate their R&D process by working with these professional organizations to satisfy the unmet demand for innovative therapeutics and drugs.

The multi-tiered health insurance system encouraged by the Chinese government will create a diversified healthcare payment system by fostering commercial insurance to cover critical diseases, in addition to the national basic medical insurance.

### OVERVIEW OF SPECIALTY PHARMACY BUSINESS IN CHINA

#### Introduction to Specialty Pharmacy Business

Specialty pharmacy business is a mature industry in the U.S. and other developed countries. A Specialty Pharmacy Business company runs and manages the network of pharmacies to provide medicines as well as pharmacist service, disease management services and other healthcare services to patients to achieve comprehensive health management. It also advises on prescription decisions based on medication efficacy and cost efficiency that meets the patients' needs while at the same time reduces insurance carriers' claim spending. Thus, a Specialty Pharmacy Business company is able to coordinate the prescription flow and economic flow of medication among insurance carriers, pharmaceutical companies, medical institutions and pharmacies to efficiently manage the spending on prescription medication, for both patients and payers.

In China, Specialty Pharmacy Business is a fledging industry as the result of the rising demand for professional patient management service. However, given the differences between the U.S. and China's health care systems, as well as a predominantly government-funded health care insurance system in China, the Specialty Pharmacy Business industry has just started to emerge. Some leading market players have started to provide professional pharmacist service supplemental to the specialty pharmacy business. In addition, leading market players are exploring payment solutions for patients to address the affordability and accessibility issues when purchasing high-value specialty medicines.



## INDUSTRY OVERVIEW

### Value Chain of Specialty Pharmacy Business

The table below illustrates the value chain of the specialty pharmacy business:

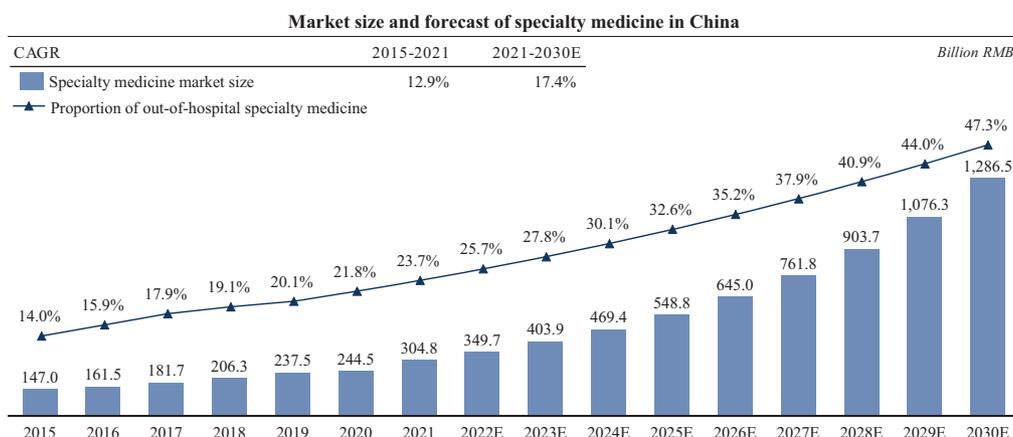


### Overview of Specialty Pharmacy Market in China

Specialty pharmacy is a provider of specialty medicines and pharmacist service to better manage patients taking specialty medicines, and to better procure, store and dispense specialty medicines. Specialty medicines are high-value prescription medicines, usually innovative drugs for critical diseases such as cancer and autoimmune diseases. The complexity of a specialty medicine is attributable to various factors, including its specific indications, administration methods, side effects management, and duration of treatment. To address these complexities, during the process of administering specialty medicines, professional and accessible pharmacist services, such as medication guidance, follow-up assessment, AE consultation and patient education are often requisites to ensure medication compliance. Specialty pharmacies provide such pharmacist services beyond the capabilities of a traditional retail pharmacy.

### Market Size and Forecast of Specialty Medicine in China

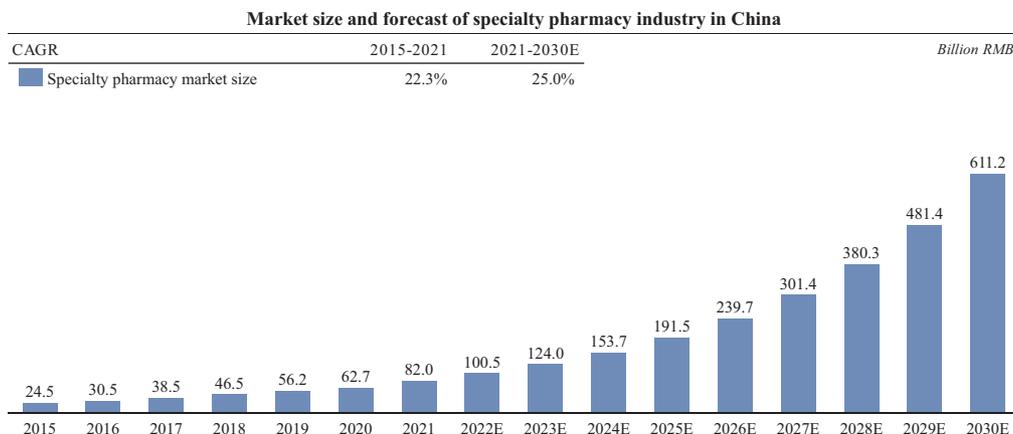
China's specialty medicine market experienced a steady growth in the past years, increasing from RMB147.0 billion in 2015 to RMB304.8 billion in 2021, at a CAGR of 12.9%. It is expected that the specialty medicine market in China will further reach RMB548.8 billion in 2025 at a CAGR of 15.8% from 2021 to 2025, and RMB1,286.5 billion in 2030, at a CAGR of 18.6% from 2025 to 2030. In terms of sales revenue, oncology specialty medicines accounted for approximately 63.5% of all specialty medicines in China in 2021, according to CIC. Among the top ten best-selling specialty medicines in China in 2021, eight of them are oncology drugs, according to the CIC Report.



Source: Ministry of Commerce of the PRC, CIC Report

## INDUSTRY OVERVIEW

China's specialty pharmacy market increased from RMB24.5 billion in 2015 to RMB82.0 billion in 2021 at a CAGR of 22.3% from 2015 to 2021, and is expected to reach RMB191.5 billion in 2025 at a CAGR of 23.6% from 2021 to 2025, and further reach RMB611.2 billion in 2030 at a CAGR of 26.1% from 2025 to 2030.



Source: Ministry of Commerce of the PRC, CIC Report

### Growth Drivers of Specialty Pharmacy Market

- *Demand for Innovative Drugs.* As critical diseases, such as cancer, are increasingly prevalent in China, the demand for innovative therapies and drugs continues to rise. For instance, China's cancer incidence increased from approximately 3.9 million in 2015 to approximately 4.8 million in 2021, and is forecasted to further reach approximately 5.8 million in 2030, according to the National Central Cancer Registry and WHO. As cancer incidence continues to increase, there is a growing demand for innovative oncology drugs accompanied by professional pharmacist service delivered by professional specialty pharmacies.
  
- *Increasing Demand for Out-of-hospital Channels for Specialty Medicines.* The Chinese government has introduced the "zero markup" policy to eliminate the markup of medicines sold in public hospitals. As a result, in-hospital pharmacies, previously being the profit center of public hospitals, gradually turned into a cost center, leading public hospitals to lower their procurement of high-value drugs which generally have stricter management requirements and higher storage and maintenance costs. Secondly, the "zero markup" policy required public hospitals to reduce the proportion of drug costs in the total medical expenditure. Therefore, public hospitals tend to provide, in their product offering, less specialty medicines which are typically of high value. Thirdly, in order to lower the patients' expenses on medicines, public hospitals are encouraged by the Chinese government to offer medicines on the National Essential Medicine List or covered by the centralized procurement program, and high-value innovative drugs not participating in the centralized procurement program are generally not available in public hospitals. Due to the foregoing reasons, prescriptions of high-value innovative drugs have increasingly flowed out of public hospitals and into out-of-hospital specialty pharmacies, that typically provide patients with a wider and more comprehensive product offering of specialty medicines, which led to the acceleration of the business development of specialty pharmacies. In addition to the advantage of comprehensive and diversified medication offering, specialty pharmacies equipped with professional pharmacist services are able to provide more efficient chronic disease management with better patient experience, since patients can save time and energy from seeking medical services from public hospitals. In recent years, the National Healthcare Security Administration has promulgated a series of policies to promote the payment channels of out-of-hospital

---

## INDUSTRY OVERVIEW

---

pharmacies. As an increasing number of specialty pharmacies have obtained the “dual-channel” qualification, and commercial health insurance carriers have been expanding their customer base, more patients are eligible to pay directly or reimburse their medicine expenses through their national basic medical insurance accounts or commercial health insurance accounts, which will largely expand specialty pharmacies’ customer base and significantly increase their market size.

### Entry Barriers of Specialty Pharmacy Market

- *Partnership with Pharmaceutical Companies.* Specialty pharmacies need to demonstrate their expertise to form a partnership with pharmaceutical companies to distribute specialty medicines. In general, pharmaceutical companies prefer pharmacies equipped with professional pharmacist service, flexible payment options and well-established logistics systems. Those with patient-centric pharmacist service can build up a powerful database relating to the efficacy and side effects of each particular medicine, which enhances the overall efficacy of patients’ treatment paradigms. Flexible payment options allow patients to reimburse their medicine expenses directly through their insurance accounts. Well-established logistics systems guarantee the quality of specialty medicines during the transportation. Specialty pharmacies that are able to meet these high standards can achieve a long-term and stable partnership with pharmaceutical companies to ensure the supply of a wide range of high-quality specialty medicines.
- *Professional Patient Management.* Specialty medicines are usually prescribed to treat critical or rare diseases that typically require an extended duration of treatment under professional medication guidance. Accordingly, professional pharmacist service helps patients achieve better treatment efficacy. Therefore, specialty pharmacies with the capability to provide professional patient management service can improve the efficacy of treatment paradigm and the safety of drug use.
- *Prescription Flow.* In China, all prescriptions are issued by doctors. Dealing with a large number of patients on a daily basis, doctors face a significant challenge in managing their patients efficiently. Specialty pharmacies equipped with data analytics and patient management capabilities can assist doctors to better manage their patients through post-hospital medication guidance, follow-up assessment and AE consultation, and doctors are more likely to direct their prescription flow to these specialty pharmacies.

### Opportunities and Challenges of Specialty Pharmacy Market

- *More Comprehensive Health Insurance Plans.* The national basic medical insurance is gradually covering specialty pharmacies, apart from which, insurance carriers are trying to cooperate with specialty pharmacies to offer patients a wider coverage of specialty medicines. As a result, patients are more motivated to go to specialty pharmacies without the concern of affordability.
- *Increasing Patient Needs for Professional Pharmacist Services.* In addition to simple purchases of specialty medicines, patients are becoming more desirous of customized professional pharmacist services such as medication guidance and AE consultation. Specialty pharmacies equipped with such services are able to attract more patients as well as improve customer stickiness.

The specialty pharmacy business in China in the same also faces the challenge of centralized procurement. The prices of specialty medicines are highly associated with the centralized procurement program led by the Chinese government. Therefore, it becomes an inevitable challenge for specialty pharmacies to quickly respond to the dynamics of centralized procurement policies with a view to maintain a smooth and robust development. Specialty pharmacies that have a wide and comprehensive

## INDUSTRY OVERVIEW

product offering covering more innovative drugs are able to maintain and increase their sales revenue when encountering the challenge of centralized procurement.

### Competitive Landscape of Specialty Pharmacy in China

We are the largest privately owned specialty pharmacy in China, as measured by specialty medicine revenue in 2021.

**Competitive Landscape of Privately Owned Specialty Pharmacy Market in China, 2021**

Company	Specialty medicine revenue, 2021 (RMB billion)	Market share	Geographic coverage	Number of specialty pharmacies with "dual-channel" qualification (as of 2021-12-31)	Pharmacist follow-up service	Oncology focused
1 Our company	2.9	~7%	29 provinces	42	✓	✓
2 Company 1D <sup>(2)</sup>	~2.0	~5%	29 provinces	39	×	×
3 Company 1E <sup>(3)</sup>	~0.8	~2%	28 provinces	8	×	×

Note: Only include privately owned specialty pharmacies; A specialty pharmacy is defined as "oncology focused" only if oncology drugs account for >50% of its SKU.

*Notes:*

- (1) Professional pharmacy service includes follow-up assessment and other pharmacist services through a unified specialty medicine management system.
- (2) Company 1D is a Beijing-based company founded in 2015 which has submitted A1 for listing on the Hong Kong Stock Exchange. According to Company 1D's draft prospectus and CIC, Company 1D has three business segments, namely out-of-hospital comprehensive patient services, provider-enabling services, and innovative healthcare services. The out-of-hospital comprehensive patient services segment can be further divided into three sub-segments, namely out-of-hospital pharmacy services, out-of-hospital medical services and wholesale pharmacy services, and its specialty pharmacy business is under the sub-segment of out-of-hospital pharmacy services. Company 1D has established an integrated offline + online pharmacy service network through its nationwide footprint of offline pharmacy stores and its online pharmacy. As of December 31, 2021, Company 1D had 264 pharmacies, among which 39 pharmacies had obtained the "dual-channel" qualification, offering medication, healthcare products and medical supplies, with a focus on specialty medicines. According to Company 1D's draft prospectus, the total revenue generated from its out-of-hospital pharmacy services and out-of-hospital medical services was RMB3.61 billion for the year ended December 31, 2021, including the sales revenue of specialty medicines through its specialty pharmacies.
- (3) Company 1E is a Beijing-based private company founded in 2014 with its business focusing on medical data solutions, oncology big data services, online hospitals and specialty pharmacies. Company 1E applied for listing on Nasdaq in June 2021 but withdrew its application in July 2021. According to Company 1E's draft prospectus and CIC, Company 1E has three major service segments, which are respectively (i) digital continuous care platform for patients with critical diseases, (ii) AI-enabled curation system for longitudinal medical data, and (iii) data-driven precision life sciences solution platform that helps life sciences companies accelerate clinical research and real-world evidence adoption. Company 1E provides patient care solution, patient management, and AI diagnosis and treatment services through its digital continuous care platform. With respect to the patient care solution, Company 1E provides medication, healthcare and wellness products, infusion or injection services and other ancillary services to patients. It also utilizes its medication distribution capabilities to fulfill its internal and external demand for medication. As of March 31, 2021, Company 1E had also established a nationwide network of 34 digital patient care centers, covering 28 provinces in China, enabling patients to access innovative therapeutic solutions and medication services. According to Company 1E's draft prospectus, its digital continuous care platform generated revenue in the amount of RMB822 million in 2020, and RMB186 million for the three months ended March 31, 2021. Particularly, the revenue generated from the continuous patient care solution was RMB806.0 million in 2020, and RMB179.4 million for the three months ended March 31, 2021, including the sales revenue of specialty medicines.
- (4) The non-public information of Company 1D and Company 1E is provided by CIC through one-on-one interviews with industry experts, and the identities of Company 1D and Company 1E are not disclosed due to confidentiality obligations.

Source: CIC Report

---

## INDUSTRY OVERVIEW

---

Specialty pharmacy industry is in the early stage with a relatively low market concentration. As of the Latest Practicable Date, there was no public information disclosing the total number of specialty pharmacy companies in China.

State-owned specialty pharmacies are owned by large state-owned drug distribution companies, with the top three (Sinopharm, China Resources Pharmaceutical and Shanghai Pharmaceutical) accounting for approximately 10% to 15% market share of the overall specialty pharmacy market in 2021, according to CIC.

The business model of state-owned specialty pharmacies differs from that of private companies, as they penetrate the market from the supply side of the industry value chain. In comparison, we approach from the demand side. Private companies' product offerings mainly focus on high-value and innovative specialty medicines, particularly those targeting critical diseases such as cancer and autoimmune diseases. In comparison, although state-owned specialty pharmacies offer specialty medicines, the majority of their SKU are prescription and OTC medicines for treating common diseases, such as upper respiratory tract infection and minor skin trauma, and healthcare products. Equipped with a deeper understanding of patients' needs based on the real-world data generated from our Physician Research Assistance business, we can provide patient-oriented and specialized pharmacist services and more efficient out-of-hospital disease management services to our customers. At the same time, with the support of our Health Insurance Services business, we can provide payment solutions for our members to enhance their affordability for specialty medicines. Leveraging the synergy among our three business lines, we believe we are able to optimize the patients' benefits by providing professional pharmacist services and financial solutions for specialty medicines, creating our particular advantages that state-owned specialty pharmacies can hardly replicate.

## OVERVIEW OF SITE MANAGEMENT ORGANIZATION SERVICE IN CHINA

### Introduction to Site Management Organization

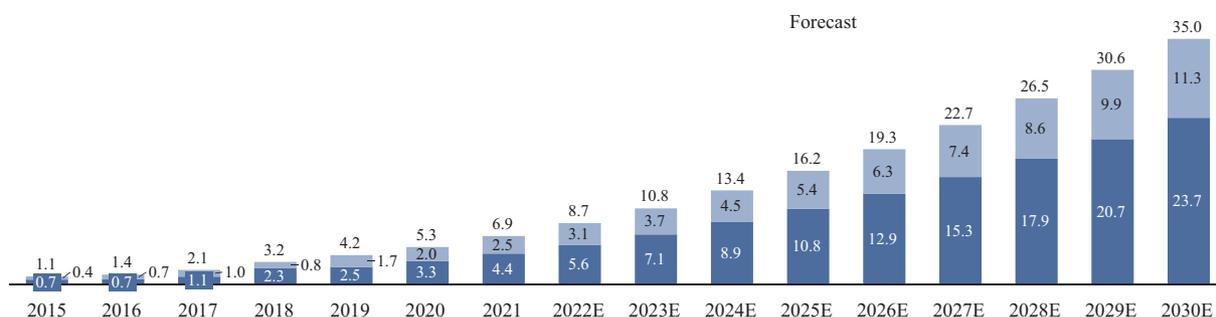
An SMO is an organization that provides specialized service to clinical trials. As the key professional personnel of an SMO, clinical research coordinators (“CRCs”) are assigned to the clinical trial site, and work under the direction of the principal investigator (“PI”) to support the daily non-clinical works. CRCs' typical scope of work includes assistance in and coordination for project feasibility study, project approval application, trial site launch, participant recruitment, screening, enrollment and management, drug, medical device and bio-sample management, data entry and file management, clinical trial reports submission and site closure, with the primary goal of reducing the investigator's non-clinical workload and improving the overall efficiency and compliance of clinical trials.

## INDUSTRY OVERVIEW

The market size of SMO service in China increased from RMB1.1 billion in 2015 to RMB6.9 billion in 2021 at a CAGR of 35.3% and is expected to further reach RMB16.2 billion in 2025 at a CAGR of 23.8% from 2021 to 2025, and RMB35.0 billion in 2030 at a CAGR of 16.7% from 2025 to 2030. The oncology SMO market is expected to account for approximately 63.7% to 67.8% of the overall SMO market size from 2021 to 2030.

**Market size and forecast of China's SMO industry**

CAGR	2015-2021	2021-2030E	Billion RMB
Non-oncology	33.3%	18.2%	
Oncology	36.6%	20.6%	
<b>Total</b>	<b>35.3%</b>	<b>19.8%</b>	



Source: China CRC Home, Center for Drug Evaluation, CIC Report

### Value Chain of SMO Service

The table below illustrates the value chain of SMO service:



### Growth Drivers of SMO Market

- Increasing Investment in Drug R&D.** According to CIC, the R&D investment by pharmaceutical companies in China increased from RMB68.2 billion in 2015 to RMB218.6 billion in 2021, at a CAGR of 21.4%. As a result, the number of newly registered clinical trials for innovative drugs, excluding bioequivalence studies, increased from 749 in 2015 to 1,939 in 2021, according to the Center for Drug Evaluation. The investment in oncology drugs presented an increasing proportion in the total R&D investment. Among the aforementioned clinical trials, the number of those for oncology drugs increased from 148 in 2015 to 802 in 2021, according to the Center for Drug Evaluation. The rapid growth of drug R&D drives an increasing demand for SMO service in the relevant clinical trials.
- Stricter Compliance Requirements for Clinical Trials.** The Chinese government authorities promulgated a series of rules and policies in recent years to impose stricter compliance

---

## INDUSTRY OVERVIEW

---

requirements for clinical trials, including qualification of professional personnel participating in clinical trials, management of trial documents and materials, trial data accuracy and completeness, as well as internal and external inspection and audit. As CRCs assist investigators in conducting non-clinical work, their involvement in clinical trials will greatly improve the overall compliance of clinical trials. Thus, the demand for SMO service is expected to grow as a result of enhancing clinical trial management capability for compliance requirements.

### Entry Barriers of SMO Market

- *Nationwide Trial Site Network.* In order to meet the participant and site requirements for clinical trials, especially those in phase II and phase III studies conducted in multiple trial sites nationwide, SMO companies need to have an extensive network covering a large number of trial sites, involving thousands of participants. To establish such a nationwide network, SMO companies need to continuously run plenty of ongoing projects with a wide geographical coverage, which requires long-term partnerships with a significant number of high-tier hospitals. It is difficult for new entrants to establish such a network in a short period of time.
- *Project Management Capability.* For each clinical project, an SMO company assigns its CRCs to different sites to assist PIs. To strictly meet the high requirements for management of data, file, participant, drug, medical device and bio-sample according to the GCP standard, a mature SMO company needs to manage a large number of ongoing cross-regional projects simultaneously and efficiently. Large SMO companies with adequate management capabilities are able to operate stably nationwide, while small SMO companies or new entrants may have difficulties efficiently managing hundreds of their CRCs and projects that are geographically distributed in different cities to meet the strict compliance requirements for clinical trials.
- *Reputation.* Clients of SMO are usually pharmaceutical companies. Since the cost of clinical trials accounts for the majority of the R&D spending, pharmaceutical companies usually pay close attention to their clinical trials. Thus, to ensure the overall efficiency and compliance of their clinical trials, pharmaceutical companies usually select the most reliable SMOs with an outstanding reputation, which is based on the number of successful cases in the past and service quality that has been recognized by the market. Therefore, it is difficult for new entrants to compete for clients in the market.

### Opportunities and Challenges of SMO Market

- *Continuous Growth in Size.* Along with the continuous growth in the R&D investment by pharmaceutical and bio-tech companies in China and globally, as well as the increasing number of oncology-related clinical trials, the demand for SMO services will grow in the long run. In addition, an industry-wide emphasis on Good Clinical Practice (“GCP”) encouraged by the relevant government policies will further fuel the increase in the penetration rate of SMO in clinical trials in China.
- *Wider Geographical Coverage.* At present, CRCs are mainly concentrated in metropolises and other big cities in China. According to the report of China CRC Home, the proportion of CRCs in the top 15 cities is 69.6%. As more and more GCP hospitals and research sites are established in small and medium-sized cities, it is expected that more and more CRCs will settle in these areas to meet the sponsors’ needs of multi-center clinical trials.
- *Expanded Scope of Service.* Since SMOs can despatch at least one CRC to each research site, while it is difficult for a CRA dispatched by a contract research organization (“CRO”) to stay at a certain site all the time, SMOs have a wider network of research sites compared with CROs.

## INDUSTRY OVERVIEW

Therefore, it is easier for SMOs to recruit participants for a large number of clinical trial sites, and it is expected that the penetration rate of SMO in patient recruitment service will continue to grow in the future.

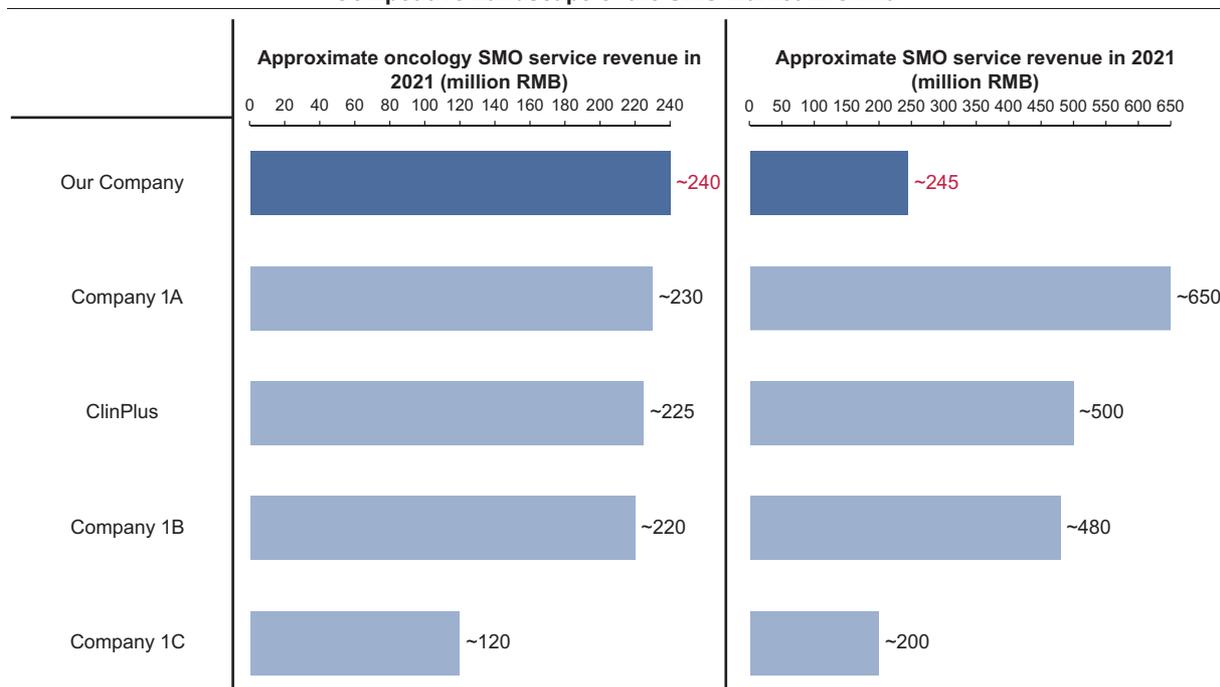
The SMO market also faces the following challenges:

- *Supply Gap of Professionals.* According to the Industry Blue Book of China CRC Home, the average CRC turnover rate of SMO companies in 2019 is approximately 25% to 30%. Due to the high labor turnover rate, the lack of experienced CRC is one of the main challenges China's SMO industry is facing.
- *Lack of Competitiveness.* Sponsors of clinical trials usually choose to cooperate with large SMOs with large staff size and wide clinical site coverage. However, most of the SMOs in China are small regional companies that can hardly participate in multi-center clinical trials and accumulate experience of high-quality projects.

### Competitive Landscape of General and Oncology SMO Market

The following charts illustrate the competitive landscape of the general SMO market and oncology SMO market in China in 2021, as measured in revenue. We rank fourth in the general SMO market and first in oncology SMO market, as measured in revenue in 2021. In addition, as of December 31, 2021, we had participated in approximately 50% of clinical trials on oncology drugs started from 2017 in China.

**Competitive Landscape of the SMO Market in China**



*Notes:*

(1) Company 1A is a Shanghai-based SMO founded in 2009 and a wholly-owned subsidiary of a leading public CRO company in China listed on both Shanghai Stock Exchange in 2018 and Hong Kong Stock Exchange in 2018. The CRO company has six business segments, which are respectively (i) Chemistry-related research services, (ii) Biology-related research services, (iii) Testing services, (iv) Advanced Therapies Unit (ATU), (v) Domestic Discovery Service Unit (DDSU) and (vi) Others. The SMO services provided by Company 1A are categorized under the business segment of Testing services. In addition to SMO services, the Testing services segment of the CRO company also includes laboratory testing services and clinical CRO services, which are not within Company 1A's service scope. According to the CRO company's 2021 annual report, the total revenue generated from its Testing service segment was RMB 4.53 billion for the year ended December 31, 2021, while clinical CRO services and SMO services generating a subtotal revenue of RMB 1.48 billion for the same period, representing approximately 32.7% of the total revenue of its Testing services segment.



---

## INDUSTRY OVERVIEW

---

- (2) Company 1B is a Hangzhou-based SMO founded in 2011 and a wholly-owned subsidiary of a leading public CRO company in China listed on both ChiNext in 2012 and Hong Kong Stock Exchange in 2020. The CRO company has two major business segments, namely clinical trial solutions (CLS) and clinical related and laboratory services (CRLS), covering the whole process of the research and development of drugs and medical devices, from pre-clinical research to post-approval studies. The SMO services provided by Company 1B are categorized under the business segment of CRLS. In addition to SMO services, CRLS segment also offers data management and statistical analysis, laboratory services, and other services such as medical imaging and GMP consulting services, which are not within Company 1B's service scope. According to The CRO company's 2021 annual report, its CRLS segment generated a total revenue of RMB2.22 billion for the year ended December 31, 2021, including the revenue from SMO services provided by Company 1B.
- (3) Company 1C is a Beijing-based SMO founded in 2012 and a partially-owned subsidiary of a leading public CRO company in China listed on both ChiNext in 2019 and Hong Kong Stock Exchange in 2019. The CRO company has three business segments, namely laboratory services, clinical development services and CMC services. The SMO services provided by Company 1C are categorized under the clinical development services segment. In addition to SMO services, The CRO company's clinical development services segment also provides clinical research, regulatory bioanalysis and radiolabelled sciences, which are not within Company 1C's service scope. According to The CRO company's 2021 annual report, its clinical development services segment generated a total revenue of RMB956.4 million for the year ended December 31, 2021, including the revenue from SMO services provided by Company 1C.
- (4) The non-public information of Company 1A, Company 1B and Company 1C is provided by CIC through one-on-one interviews with industry experts, and the identities of Company 1A, Company 1B and Company 1C are not disclosed due to confidentiality obligations.

*Source: CIC Report*

As of December 2021, there were 34 SMOs registered in “China CRC Home”, and there were also many unregistered small and medium-sized regional SMOs. China's SMO industry is still in the early stage with rapid growth, and the number of SMOs is also increasing rapidly. As of the Latest Practicable Date, no public information with respect to the total number of Chinese SMOs had been disclosed. China's SMO market is not highly concentrated, and the top five competitors account for a total of approximately 25% to 30% of the overall market share. According to CIC and China CRC Home, other than the top five competitors, no other SMO had a business scale of more than 1,000 CRCs by the end of 2021.

## OVERVIEW OF MULTI-TIERED HEALTH INSURANCE SYSTEM IN CHINA

### Introduction to Multi-tiered Health Insurance System in China

China's multi-tiered health insurance system is constructed on the basis of national basic medical insurance, and supplemented by commercial health insurance, medical relief systems and charity medical donations.

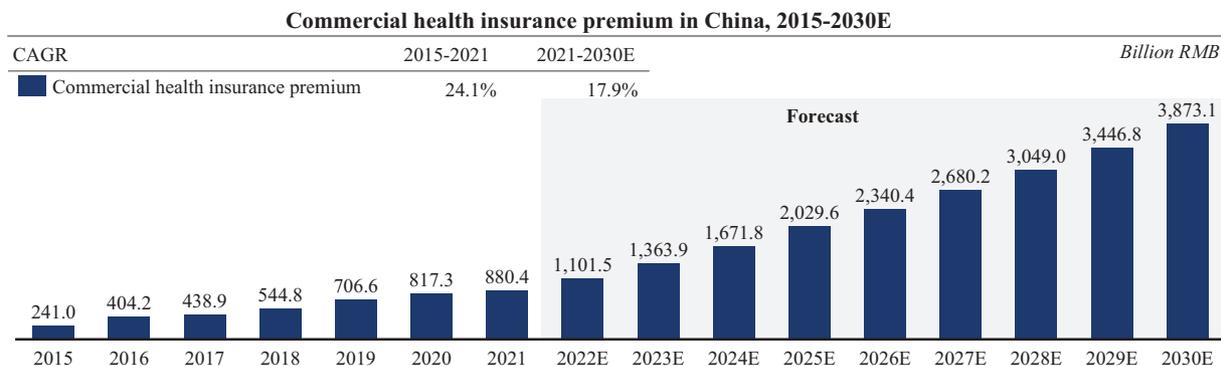
As of December 31, 2021, China's national basic medical insurance enrolled over 1.3 billion people, accounting for 96.6% of the total population, according to the National Healthcare Security Administration and the National Health Commission. In 2021, China's national basic medical insurance expenditure reached RMB2,401.1 billion, accounting for 42.8% of the total medical expense, according to the National Health Commission. The principle of China's national basic medical insurance is to expand coverage and provide basic medical care, which cannot meet the growing demand for medical services. The individual medical expense reached RMB2,202.5 billion in 2021, accounting for 39.3% of the total medical expense, according to the National Health Commission.

Contrary to the extensive coverage of the national basic medical insurance, commercial health insurance claim spending accounted for only 7.3% of the total medical expense in China in 2021, according to the CBIRC. In the future, the commercial health insurance is expected to function as an increasingly important payment solution for medical expenditure especially on critical diseases, indicating an urgent need for establishing a multi-tiered health insurance system to serve different groups of people.

The market size of commercial health insurance in China increased from RMB241.0 billion in 2015 to RMB880.4 billion in 2021, at a CAGR of 24.1% from 2015 to 2021, and is expected to further reach RMB2,029.6 billion in 2025 at a CAGR of 23.2% from 2021 to 2025, and RMB3,873.1 billion in 2030

## INDUSTRY OVERVIEW

at a CAGR of 13.8% from 2025 to 2030. According to the “Opinions on Promoting the Development of Commercial Insurance in the Field of Social Services” issued by CBIRC and 13 other ministries and commissions in December 2019, the market size of commercial health insurance in China is expected to have a steady growth in the next decade, and the market size will exceed RMB2 trillion in 2025.



Source: CBIRC, CIC Report

In developed countries, health insurance plans have adopted a mature business model integrating insurance protection with healthcare service. For example, in the U.S., a preferred provider organization (“PPO”) is a standard health insurance plan that contracts with hospitals, clinics and doctors, to create a network of health and medical providers. Large insurance groups form PPOs so that members who purchase their insurance plans can seek medical treatment, and purchase medicines as well as any other medical services in the PPO network. Expenses incurred are paid by the insurance companies. According to Kaiser Family Foundation, in 2021, PPOs enrolled over 46.0% of all the members participating in health insurance plans in the U.S. PPOs can make use of the large amount of data accumulated in their closed loop as well as their strong data analysis and actuarial capabilities to create synergies between healthcare service provision and payment, thus providing suitable healthcare service solutions for patients and effective cost control for payers, and patients are able to obtain better insurance products to achieve multiple benefits.

### Growth Drivers of Commercial Health Insurance Market

In China, the public hospital-dominated healthcare service system dictates that public hospitals will remain the dominant providers of healthcare services as an important role of the closed loop of PPO model. Along with the rapid development of commercial health insurance in China, the payment side of Health Insurance Services model has experienced a rapid growth in the past, due to the following drivers:

- *Lasting Growth of Commercial Health Insurance.* The Chinese government encourages the establishment of a multi-tiered health insurance system. With an aging population and increasing incomes, the demand for higher quality medical services is growing, and commercial health insurance has become an increasingly important supplement to the national basic medical insurance. China’s commercial health insurance market continues to prosper, which forms an important foundation for the continued growth of payer-side service market. In December 2019, CBIRC and 13 other ministries and commissions jointly issued the “Opinions on Promoting the Development of Commercial Insurance in the Field of Social Services”. It is expected that the commercial health insurance market will exceed RMB2 trillion in 2025.
- *Commercial Health Insurance Companies Need Professional Third-party Service to Enhance Their Services and Operations.* Currently, the commercial health insurance products in China struggle to differentiate, with the reason being two-fold. An insurance carrier’s capability to

---

## INDUSTRY OVERVIEW

---

design diversified and attractive commercial health insurance products comes from integrated healthcare services, typically in the forms of general practitioner and specialist network, specialty pharmacy, and health management service. However, traditional commercial insurance carriers in China usually do not have the access and know-how in delivering health management service. Secondly, Chinese commercial insurance carriers lack data insights into their customers' medical behaviors that are aggregated over time as healthcare services are rendered. Data insights are critical in determining product design, premium pricing, enrollment requirements and claim adjudication to target customers with diversified healthcare needs. Data insights also help combat insurance fraud and abuse, which significantly impact an insurance carrier's profitability. The highly homogeneous commercial health insurance products caused by the foregoing reasons make commercial health insurance companies unable to reduce premiums on the one hand, and have to rely heavily on channels for high investment in marketing expenses for sales on the other hand. Therefore, commercial health insurance companies have a strong incentive to cooperate with professional third-party service providers with high-quality data accumulation, strong data analysis, actuarial capabilities and insurance product design capabilities to design more competitive and differentiated insurance products to improve their overall operational efficiency and service level and benefit their customers, which in turn promotes the development of the payer-side service industry.

- *Government Policies Encourage Sharing of Medical Data to Further Accelerate the Growth of Payer-side Service Market.* The Chinese government promulgated a series of policies to allow medical data sharing between healthcare providers and insurance underwriters. The National Health and Medical Big Data Institute was officially established to promote the government's exchange, integration and sharing of health and medical information and related data. Data access makes it possible for commercial health insurance companies to enhance product design capabilities and optimize operational efficiency with the data insight and analysis capabilities of professional third-party service providers, thus further accelerating the development of payer-side service market.

The payer-side service market in China is still in the early stage of development. In this regard, only innovative market players that are able to combine robust health management service and flexible payment solutions leveraging their data insights could eventually establish a comprehensive healthcare and insurance service provider network to effectively help their customers achieve better health condition and lower health cost.

### **Entry Barriers of Commercial Health Insurance Market**

- *Market Insights.* To help insurance companies design innovative insurance products and provide operational support, PPO providers need expertise in the pharmaceutical sector and deep insights into both the supply and demand sides of the overall healthcare industry. New entrants to the industry without market insight will have difficulty providing effective solutions to insurance companies.
- *Data Insights.* In order to design insurance products that meet customers' needs and help insurance companies achieve efficient risk control, third-party service providers need to have high-quality data accumulated from long-term operations and a professional team capable of data analysis, while new entrants to the industry have difficulty in accumulating sufficient operational data and building a professional team within a short period of time.
- *Brand and Reputation.* Insurance companies often choose reliable third-party providers with a track record of success to design their insurance products and provide health management

## INDUSTRY OVERVIEW

services. For inexperienced industry newcomers, it often takes years to build their brand and reputation before they can compete with the industry leaders.

### Opportunities and Challenges of Commercial Health Insurance Market

- *Favoring Policies for Health Management Service:* In December 2019, CBIRC raised the previously mandated cap on the cost of health management services as a percentage of net health insurance premiums from 12% to 20%, encouraging insurance companies to provide health management services to customers more often in their health insurance plans, which to some extent provides greater space for cooperation between third-party health management service providers and commercial health insurance companies.

The health insurance services market also faces the following challenges:

- *Immature Health Management Service Industry:* According to CBIRC, the health management business carried out by Chinese insurance companies is still in the early stage of development. To a certain extent, there are still a large number of companies providing homogeneous services and unclear service scope in the description of product terms.

### Value Chain of Commercial Health Insurance Industry

The table below illustrates the value chain of commercial health insurance industry:



Note: \* Estimated share of total health insurance premium

### Competitive Landscape of Multi-tiered Health Insurance System in China

In recent years, market players in health insurance service industry in China have just begun to explore models for establishing healthcare and insurance service provider networks, tapping the market through a variety of approaches, such as insurance brokerage, and innovative insurance plans with health management services, with business models still evolving and being optimized.

The health insurance service market in China is still in its early stage of development, and market participants in the industry still have a long way to go before developing into a mature integrated platform for the provision of health payment solutions and healthcare services. As of the Latest Practicable Date, there was no publicly available information disclosing the total number of competing companies in the health insurance service industry in China.

---

## INDUSTRY OVERVIEW

---

### SOURCE OF INFORMATION

We commissioned China Insights Consultancy Limited, an independent market research and consulting firm, to conduct a detailed research and analysis of China's healthcare industry. China Insights Consultancy Limited, founded in Hong Kong, provides professional services including, among others, industry consulting, commercial due diligence and strategic consulting. We have agreed to pay a fee of US\$200,000 to China Insights Consultancy Limited in connection with the preparation of the CIC Report. We are of the view that the payment of such fee does not impair the fairness of the conclusions drawn in the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in "Summary", "Risk Factors", "Business", "Financial Information" and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

During the preparation of the CIC Report, China Insights Consultancy Limited performed both primary and secondary research, and obtained knowledge, statistics, information on and industry insights into China's healthcare industry. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources. The CIC Report was compiled based on the following assumptions: (1) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (2) relevant key drivers are likely to drive the continued growth of China's healthcare market throughout the forecast period; and (3) there is no extreme force majeure or unforeseen industry regulations in which the industry may be affected in either a dramatic or fundamental way. All forecasts in relation to market size are based on the general economic conditions as of the Latest Practicable Date, which would be adjusted if the COVID-19 outbreak persists or escalates and has an unpredicted negative impact on the general economy.

Except as otherwise noted, all data and forecasts in this section and other sections of this prospectus come from the CIC Report. Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there has been no adverse change in market information since the date of the CIC Report which may qualify, contradict or impact the information disclosed in this section and other sections of this prospectus.

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

### OVERVIEW

Our history began in 2014 with the establishment of Sipai Beijing Network. We have been led by our Founders, Mr. Ma and Mr. Li, who both have over 20 years of experience in operations and management of companies in healthcare industry in China. See “Directors and Senior Management” in this prospectus for the biographical details of our Founders.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on May 19, 2015 as the holding company of our Group. We received multiple series of equity financing to support our expanding business operations from 2015 to 2021. See “—Pre-IPO Investments” in this section.

In preparation for the Listing, our Group underwent the Reorganization to streamline our shareholding structure. See “—Reorganization” in this section.

### BUSINESS MILESTONES

The following table sets forth certain development milestones of our Group:

Year	Milestones
2014	● Established Sipai Beijing Network and commenced Physician Research Assistance businesses
2015	● Completed Series A Financing led by Eight Roads Capital and F-Prime Capital
2016	● Completed Series B Financing led by Tencent Group
2017	● Launched Specialty Pharmacy Business
2018	● Launched Health Insurance Services business
2019	● Launched Hui Min Insurance in Guangzhou in December 2019, the first of this kind insurance product in the market
	● Recognized as one of the “50 Future Unicorns” by The New York Times and CB Insights
	● Awarded “China Preferred Employer of the Year 2019”
2020-	● Awarded “Global Digital Health 150” by CB Insights
2021	● Awarded “Pioneer Enterprise” at Top 50 of Innovative Biotechnology Companies in Guangdong-Hong Kong-Macau Greater Bay Area
	● Completed Series E Financing invested by Tencent Group, JenCap, Forebright, 5Y Capital, Wu Capital, ZWC MB Investment and TAIHECAP LIMITED
	● Completed Series F Financing invested by, among others, Tencent Group, Octagon, Hudson Bay, 3W, and SAGE

### OUR SUBSIDIARIES AND OPERATING ENTITIES

As of the Latest Practicable Date, our Group comprised our Company and 103 subsidiaries and operating entities. Our Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services businesses are primarily carried out through our principal subsidiaries, Sipai Healthcare Investment and Sipai Beijing Network, and their subsidiaries and operating entities.

As of the Latest Practicable Date, we had 9 wholly-owned subsidiaries and one 51%-owned subsidiary that our Directors believe principally affect the results or assets of our Group during the Track Record Period. They are principally engaged in retailing of pharmaceutical products, pharmacy sector wholesale, site management organization services, and insurance brokerage services. For details, see “Appendix I—Accountants’ Report” to this prospectus.

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

### CORPORATE DEVELOPMENT OF OUR GROUP

The following sets forth the major corporate history and shareholding changes of our Group.

#### Establishment of Our Company and Our Holding Structure

In March 2014, our Founders and several early-stage employees and investors, including Mr. Ma, Mr. Li, LI Dayong, ZHANG Hongdan, LUO Wei, LI Ran and ZONG Ze, established Sipai Beijing Network through a PRC holding company to commence the Physician Research Assistance business. As of the Latest Practicable Date, those employees and investors still remained as our employees and investors.

In May 2015, our Company was incorporated in the Cayman Islands as the holding company of our Group. Upon incorporation, the authorized capital of our Company was US\$50,000 divided into 500,000,000 ordinary shares with a par value US\$0.0001 each. Upon establishment of our Company, Lucky Seven, which was established by our Founders and several early-stage employees and investors, held 86% equity interest in our Company, and our Founders held 81.40% of the equity interest in Lucky Seven in aggregate.

MediGeek Network was incorporated as a wholly owned subsidiary of our Company under the laws of Hong Kong on May 29, 2015.

Sipai Healthcare Investment, the WFOE, was established in the PRC as a wholly foreign-owned enterprise on March 8, 2019 with an initial registered capital of US\$15,000,000 and a wholly owned subsidiary of MediGeek Network. Since its establishment, MediGeek Network made the following capital injection in order to support the business development of Sipai Healthcare Investment and its subsidiaries:

	After capital injection as of				
	April 23, 2019	July 9, 2019	September 30, 2019	January 25, 2021	August 19, 2021
<b>Registered capital . . . . .</b>	US\$40,000,000	US\$44,350,000	US\$100,000,000	US\$200,000,000	US\$400,000,000

We have received multiple series of equity financings to support our expansion of business operations since 2015 as detailed below, which constitute our Pre-IPO Investments. Please refer to “—Pre-IPO Investments” in this section for the principal terms of the Pre-IPO Investments.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Series A Financing

Pursuant to a share subscription agreement dated August 17, 2015 entered into by and between, among others, the following investors (the “**Series A Investors**”) and our Company, the Series A Investors subscribed for the following number of Preferred Shares in two tranches (the “**Series A Preferred Shares**”) at a total consideration of approximately US\$5.00 million (the “**Series A Financing**”).

<u>Series A Investors</u>	<u>First Tranche Subscription</u>		<u>Second Tranche Subscription</u>		<u>Aggregate ownership percentage upon completion of the Series A Financing</u>
	<u>Number of Series A Preferred Shares Issued</u>	<u>Consideration (US\$)</u>	<u>Number of Series A Preferred Shares Issued</u>	<u>Consideration (US\$)</u>	
Asia Ventures III L.P. (“ <b>Asia Ventures</b> ”) . . . . .	14,000,000	2,100,000	7,148,936	1,399,999.73	16.24%
F-Prime Capital Partners Healthcare Fund IV LP (formerly known as Beacon Bioventures Fund IV Limited Partnership) (“ <b>F-Prime Capital</b> ”) . . . . .	<u>6,000,000</u>	<u>900,000</u>	<u>3,063,830</u>	<u>599,999.94</u>	<u>6.96%</u>
<b>Total</b> . . . . .	<b><u>20,000,000</u></b>	<b><u>3,000,000</u></b>	<b><u>10,212,766</u></b>	<b><u>1,999,999.67</u></b>	<b><u>23.20%</u></b>

### Series A-1 Financing

Pursuant to a share subscription agreement dated January 15, 2016 entered into by and between, among others, the following investors (the “**Series A-1 Investors**”) and our Company, the Series A-1 Investors subscribed for the following number of Preferred Shares (the “**Series A-1 Preferred Shares**”) at a total consideration of approximately US\$2.59 million (the “**Series A-1 Financing**”).

<u>Series A-1 Investors</u>	<u>Number of Series A-1 Preferred Shares subscribed for</u>	<u>Consideration (US\$)</u>	<u>Aggregate ownership percentage upon completion of the Series A-1 Financing</u>
INNOVAC INTERNATIONAL LIMITED . . . . .	8,042,553	1,750,003.23	5.66%
Asia Ventures . . . . .	1,884,255	410,000.70	16.21%
F-Prime Capital . . . . .	807,538	175,714.62	6.95%
Sol Capital Holdings Ltd. . . . .	574,468	125,000.22	0.40%
Horizon Capital Development Ltd. . . . .	574,468	125,000.22	0.40%
<b>Total</b> . . . . .	<b><u>11,883,282</u></b>	<b><u>2,585,718.98</u></b>	<b><u>29.63%</u></b>



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Series B Financing

Pursuant to a share subscription and warrant exercise agreement dated June 2, 2016 entered into by and between, among others, the following investors (the “**Series B Investors**”) and our Company, the Series B Investors subscribed for the following number of Preferred Shares (the “**Series B Preferred Shares**”) at a total consideration of approximately US\$22.00 million (the “**Series B Financing**”).

<u>Series B Investors</u>	<u>Number of Series B Preferred Shares subscribed for</u>	<u>Consideration (US\$)</u>	<u>Aggregate ownership percentage upon completion of the Series B Financing</u>
Tencent Mobility Limited (“ <b>Tencent Mobility</b> ”) . . . . .	41,335,264	15,000,000	20.29%
Asia Ventures . . . . .	9,644,895	3,500,000	18.27%
	4,538,774 <sup>(1)</sup>	1,400,000	
F-Prime Capital . . . . .	4,133,526	1,500,000	7.83%
	1,945,189 <sup>(2)</sup>	600,000	
<b>Total</b> . . . . .	<b><u>61,597,648</u></b>	<b><u>22,000,000</u></b>	<b><u>46.39%</u></b>

*Notes:*

- (1) pursuant to the exercise of the warrant issued by our Company to Asia Ventures on March 9, 2016 with a total consideration of US\$1,400,000
- (2) pursuant to the exercise of the warrant issued by our Company to F-Prime Capital on March 9, 2016 with a total consideration of US\$600,000

### Series C Financing

Pursuant to a share subscription agreement dated January 12, 2018 entered into by and between, among others, the following investors (the “**Series C Investors**”) and our Company, the Series C Investors subscribed for the following number of Preferred Shares (the “**Series C Preferred Shares**”) at a total consideration of approximately US\$29.43 million (the “**Series C Financing**”).

<u>Series C Investors</u>	<u>Number of Series C Preferred Shares subscribed for</u>	<u>Consideration (US\$)</u>	<u>Aggregate ownership percentage upon completion of the Series C Financing</u>
IDG China Venture Capital Fund V L.P. (“ <b>IDG China Venture</b> ”) . . . . .	9,335,074	4,730,500	7.13%
	9,335,074 <sup>(1)</sup>	4,730,500	
IDG China V Investors L.P. (“ <b>IDG China V</b> ”) . . . . .	531,826	269,500	0.41%
	531,826 <sup>(2)</sup>	269,500	
ERVC Healthcare IV, L.P. (“ <b>ERVC Healthcare</b> ”) . . . . .	8,905,846	4,512,991	4.56%
	3,027,988 <sup>(3)</sup>	1,534,417	
F-Prime Capital . . . . .	3,816,791	1,934,139	8.05%
	1,297,709 <sup>(4)</sup>	657,607	
Grand Bow Global Limited . . . . .	11,327,559	5,739,674.15	4.33%
Excellan Limited . . . . .	7,988,910 <sup>(5)</sup>	4,047,980.70	3.05%
Fortune Holdings Investment (H.K.) Limited (九風控股 (香港) 有限公司) . . . . .	1,973,380	1,000,000	0.75%
<b>Total</b> . . . . .	<b><u>58,071,983</u></b>	<b><u>29,425,073.79</u></b>	<b><u>28.28%</u></b>

*Notes:*

- (1) pursuant to the exercise of the warrant issued by our Company to IDG China Venture on January 12, 2018 with a total consideration of US\$4,730,500

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (2) pursuant to the exercise of the warrant issued by our Company to IDG China V on January 12, 2018 with a total consideration of US\$269,500
- (3) pursuant to the exercise of the warrant issued by our Company to ERVC Healthcare on January 12, 2018 with a total consideration of US\$1,534,417
- (4) pursuant to the exercise of the warrant issued by our Company to F-Prime on January 12, 2018 with a total consideration of US\$657,607
- (5) both Excellan Limited (“**Excellan**”) and Suzhou Yuan Kang Ding Xiang Investment Management Partnership (Limited Partnership) (“**Suzhou Yuan Kang**”) are ultimately controlled by Mr. LI Hui. Since Suzhou Yuan Kang was under the registration progress for overseas direct investment at the time of the Series C Financing, Excellan was incorporated in BVI solely for the purpose of investment in our Company in order to facilitate the completion of the Series C Financing. On March 18, 2021, our Company repurchased 7,988,910 Series C Preferred Shares from Excellan and allotted and issued 7,988,910 Series C Preferred Shares to Suzhou Yuan Kang for a total consideration of US\$4,048,338.36

### Series D Financing

Pursuant to a share subscription agreement dated November 19, 2018 entered into by and between, among others, the following investors (the “**Series D Investors**”) and our Company, the Series D Investors subscribed for the following number of Preferred Shares (the “**Series D Preferred Shares**”) at a total consideration of approximately US\$54.00 million (the “**Series D Financing**”).

<u>Series D Investors</u>	<u>Number of Series D Preferred Shares subscribed for</u>	<u>Consideration (US\$)</u>	<u>Aggregate ownership percentage upon completion of the Series D Financing</u>
CCEIF Bigdata I Limited (“ <b>CCEIF Bigdata I</b> ”) . . . . .	20,835,915	14,000,000	6.09%
CCEIF Bigdata II Limited (“ <b>CCEIF Bigdata II</b> ”) . . . . .	8,929,678	6,000,000	2.61%
Tencent Mobility . . . . .	11,906,237	8,000,000	15.56%
TPP Follow-on I Holding H Limited (“ <b>TPP Follow-on</b> ”, together with Tencent Mobility, “ <b>Tencent Group Entities</b> ”) . . . . .	14,882,797	10,000,000	4.35%
ERVC Healthcare . . . . .	12,501,549	8,400,000	7.14%
F-Prime Capital . . . . .	5,357,807	3,000,000	7.72%
New Smart, L.P. . . . .	4,464,839	3,600,000	1.31%
IDG China Venture . . . . .	1,408,062	946,100	5.87%
IDG China V . . . . .	80,218	53,900	0.33%
<b>Total</b> . . . . .	<b><u>80,367,102</u></b>	<b><u>54,000,000</u></b>	<b><u>50.98%</u></b>

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Series D+ Financing

Pursuant to a share subscription agreement dated October 22, 2019 entered into by and between, among others, the following investors (the “**Series D+ Investors**”) and our Company, the Series D+ Investors subscribed for the following number of Preferred Shares (the “**Series D+ Preferred Shares**”) at a total consideration of approximately US\$81.50 million (the “**Series D+ Financing**”).

<u>Series D+ Investors</u>	<u>Number of Series D+ Preferred Shares subscribed for</u>	<u>Consideration (US\$)</u>	<u>Aggregate ownership percentage upon completion of the Series D+ Financing</u>
Tencent Mobility .....	42,495,688	40,000,000	22.33%
TPP Follow-on .....	10,623,922	10,000,000	5.95%
Wu Capital Limited .....	15,935,883	15,000,000	3.72%
ERVC Healthcare .....	7,436,745	7,000,000	7.43%
F-Prime Capital .....	3,187,177	3,000,000	6.91%
CCEIF Bigdata I .....	4,780,765	4,500,000	5.98%
IDG China Venture .....	2,010,258	1,892,200	5.15%
IDG China V .....	114,526	107,800	0.29%
<b>Total</b> .....	<b><u>86,584,964</u></b>	<b><u>81,500,000</u></b>	<b><u>57.76%</u></b>

### Series E Financing

#### Series E1 Financing

Pursuant to a share subscription agreement dated December 7, 2020 entered into by and between, among others, the following investors (the “**Series E1 Investors**”) and our Company, the Series E1 Investors subscribed for the following number of Preferred Shares at a total consideration of approximately US\$245.00 million (the “**Series E1 Financing**”) (together with Preferred Shares subscribed by the Series E2 Investors (as defined below), the “**Series E Preferred Shares**”).

<u>Series E1 Investors</u>	<u>Number of Series E Preferred Shares subscribed for</u>	<u>Consideration (US\$)</u>	<u>Aggregate ownership percentage upon completion of the Series E1 Financing</u>
Tencent Mobility .....	61,385,021	96,000,000	26.84%
TPP Follow-on .....	15,346,255	24,000,000	6.98%
JenCap RX .....	25,577,092	40,000,000	4.37%
JenCap RX Partners L.P. (“ <b>JenCap RX Partners</b> ”) .....	25,577,092	40,000,000	4.37%
Evolution Special Opportunity Fund I, L.P. ....	11,120,475	17,391,304	1.90%
Evolution Fund I Co-investment, L.P. ....	1,668,071	2,608,696	0.28%
FOREBRIGHT VISION LIMITED .....	9,591,409	15,000,000	1.64%
Wu Capital Limited .....	6,394,273	10,000,000	3.81%
<b>Total</b> .....	<b><u>156,659,688</u></b>	<b><u>245,000,000</u></b>	<b><u>50.20%</u></b>

Upon completion of the Series E1 Financing, (a) 70,004,000 Ordinary Shares held by Lucky Seven were redesignated into 70,004,000 Class A Ordinary Shares, of which (i) 60,002,200 Ordinary Shares were indirectly held by Mr. Ma and (ii) 10,001,800 Ordinary Shares were indirectly held by Mr. Li; and (b) 29,996,000 Ordinary Shares were redesignated into 29,996,000 Class B Ordinary Shares, of which (i) 15,996,000 Ordinary Shares were held by Lucky Seven; (ii) 6,000,000 Ordinary Shares were held by Ariel Z Healthcare Co., Ltd.; and (iii) 8,000,000 Ordinary Shares were held by Mission Harvest Co., Ltd..

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### *Series E2 Financing*

Pursuant to a share subscription agreement dated January 26, 2021 entered into by and between, among others, the following investors (the “**Series E2 Investors**”, together with the Series E1 Investors, the “**Series E Investors**”) and our Company, the Series E2 Investors subscribed for the following number of Preferred Shares at a total consideration of approximately US\$54.00 million (the “**Series E2 Financing**”, together with Series E1 Financing, the “**Series E Financing**”).

<u>Series E2 Investors</u>	<u>Number of Series E Preferred Shares Subscribed for</u>	<u>Consideration (US\$)</u>	<u>Aggregate ownership percentage upon completion of the Series E2 Financing</u>
ZWC MB Investment Limited .....	31,971,365	50,000,000	5.16%
JenCap RX Partners .....	1,918,282	3,000,000	4.44%
TAIHECAP LIMITED .....	639,427	1,000,000	0.10%
<b>Total</b> .....	<b><u>34,529,074</u></b>	<b><u>54,000,000</u></b>	<b><u>9.70%</u></b>

### **Series F Financing**

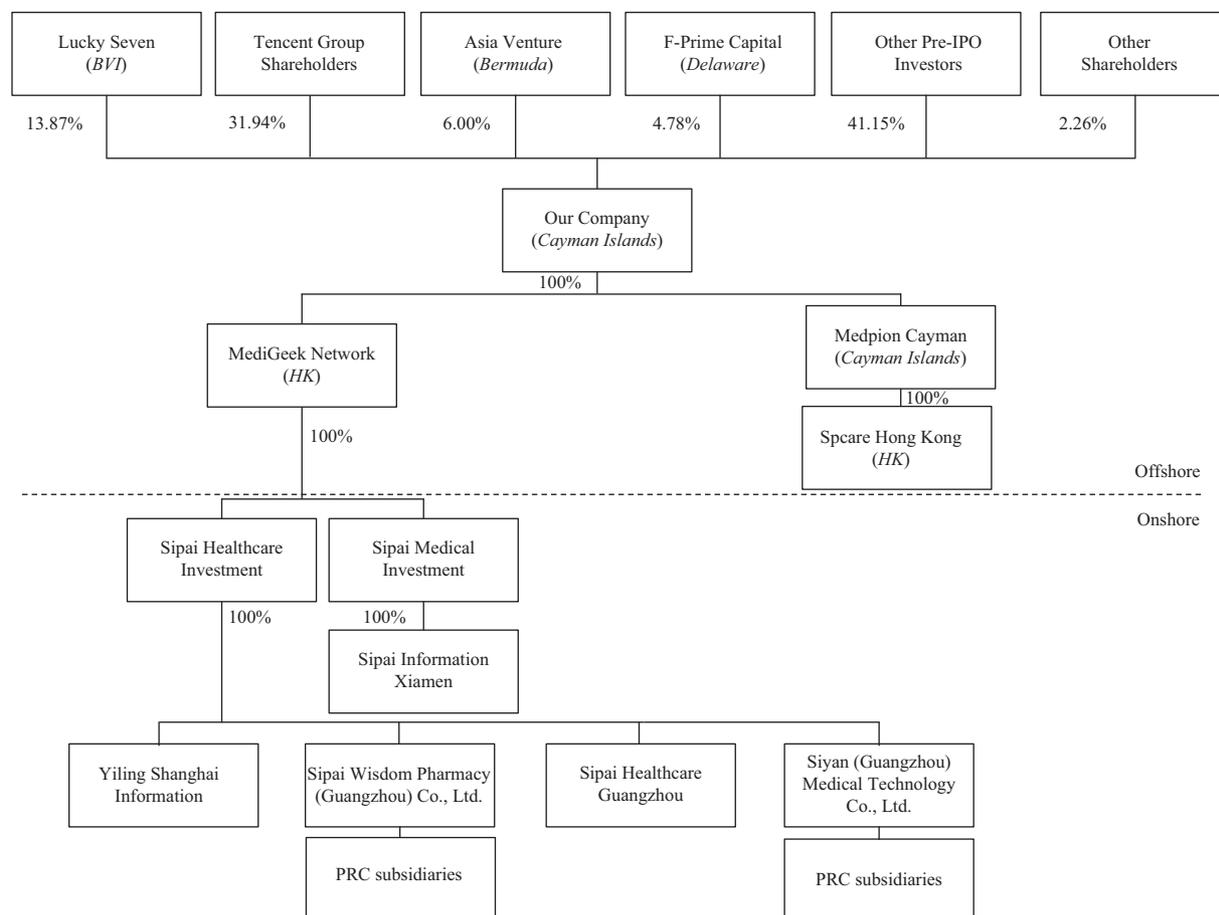
Pursuant to a share subscription agreement dated June 24, 2021 entered into by and between, among others, the following investors (the “**Series F Investors**”) and our Company, the Series F Investors subscribed for the following number of Preferred Shares at a total consideration of approximately US\$80.60 million (the “**Series F Preferred Shares**”) (the “**Series F Financing**”).

<u>Series F Investors</u>	<u>Number of Series F Preferred Shares subscribed for</u>	<u>Consideration (US\$)</u>	<u>Aggregate ownership percentage upon completion of the Series F Financing</u>
Tencent Mobility .....	11,144,172	25,000,001	22.26%
HBC Asia Healthcare Opportunities VIII LLC ...	6,686,503	15,000,000	0.88%
Octagon Investments Master Fund LP .....	3,343,251	7,499,999	0.44%
Octagon Private Opportunities Fund LP .....	3,343,252	7,500,001	0.44%
3W Global Fund .....	2,228,834	4,999,999	0.24%
3W Healthcare Fund .....	2,228,834	4,999,999	0.24%
Sage Partners Alpha 1 L.P. ....	2,228,834	4,999,999	0.24%
HEALTHY TALENT LIMITED .....	2,228,834	4,999,999	0.24%
FOREBRIGHT VISION LIMITED .....	2,228,834	4,999,999	0.24%
Mercury Investment Holdings Limited .....	267,460	600,000	0.04%
<b>Total</b> .....	<b><u>35,928,808</u></b>	<b><u>80,599,996</u></b>	<b><u>25.25%</u></b>

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### REORGANIZATION

In preparation for the Listing, our Group underwent the Reorganization to streamline our shareholding structure. Below is a simplified group chart of the our Group immediately before the Reorganization:



The principal steps of the Reorganization are set out below.

### Onshore Reorganization

To ensure that the Contractual Arrangements are narrowly tailored in accordance with the requirements of the Stock Exchange and in preparation for the Global Offering, our Group underwent the following onshore reorganization to streamline our corporate structure.

#### *Onshore Shareholding Adjustments*

On March 26, 2021, Beijing Sipai Brokerage transferred its 100% equity interests in Sipai Healthcare Technology (Ningbo) Co., Ltd. (思派健康科技(寧波)有限公司) and Sipai Healthcare Management (Ningbo) Co., Ltd. (思派健康管理(寧波)有限公司) to Ningbo Sipai Zhonghe for nil consideration, respectively.

On April 22, 2021, Ningbo Sipai Zhonghe Healthcare Technology Co., Ltd. (寧波思派眾合健康科技有限公司) (“**Ningbo Sipai Zhonghe**”), WANG Yi, WANG Tao and ZHANG Hong, each of whom is an Independent Third Party, transferred its 2.7341%, 0.5322%, 0.5322% and 3.4059% equity interests in Sipai Beijing Network to Mr. Li for a consideration of RMB29,623.46, RMB5,765.73, RMB5,765.73 and RMB36,902.05, respectively.

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

On April 27, 2021, Sipai Beijing Network transferred its 100% equity interests in Sipai (Beijing) Medical Technology Co., Ltd. (思派(北京)醫療科技有限公司) (“**Beijing Sipai Medical**”) to Ningbo Sipai Zhonghe for nil consideration.

On April 22, 2021, Sipai Healthcare Technology (Guangzhou) Co., Ltd. (思派健康科技(廣州)有限公司) (“**Sipai Health Guangzhou**”) transferred its 100% equity interests in Sipai Medical Technology (Hainan) Co., Ltd. (思派醫療科技(海南)有限公司) (“**Sipai Medical Hainan**”) to Sipai Beijing Network for nil consideration. On September 15, 2022, Sipai Beijing Network transferred its 100% equity interests in Sipai Medical Hainan to Sipai Health Guangzhou at nominal consideration with reference to the negative net assets of Sipai Medical Hainan as of June 30, 2022. For details, see “—Disposal of Online Hospital Service” in this section.

### *Entering into the Contractual Arrangements*

On May 10, 2021, Sipai Beijing Network and the Registered Shareholders terminated the contractual arrangements with Yiling (Shanghai) Information Technology Co., Ltd. (醫凌(上海)信息科技有限公司) (“**Yiling Shanghai Information**”). On May 10, 2021, Sipai Healthcare Investment entered into the Contractual Arrangements with Sipai Beijing Network and the Registered Shareholders. In addition, on April 25, 2022, Sipai Healthcare Investment entered into the Contractual Arrangements with the Consolidated Affiliated Entities. As a result of the disposal of our online hospital service, on September 15, 2022, (i) Sipai Healthcare Investment and the Consolidated Affiliated Entities terminated the contractual arrangements entered into among them on April 25, 2022, and (ii) Sipai Healthcare Investment entered into new contractual arrangements with Beijing Sipai Brokerage only with similar key terms. Under the Contractual Arrangements, we are able to exercise effective control over Sipai Beijing Network and all the economic benefits arising from the businesses of the Consolidated Affiliated Entities are transferred to Sipai Healthcare Investment to the extent permitted under PRC laws by means of service fees payable by the Consolidated Affiliated Entities to Sipai Healthcare Investment. See “Contractual Arrangements” in this prospectus.

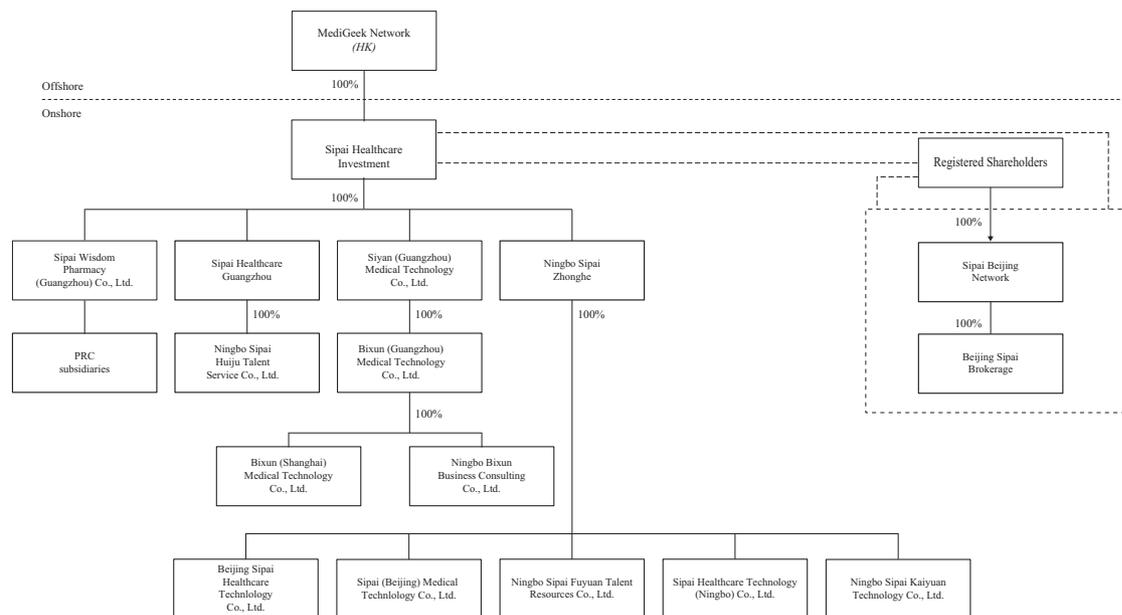
Upon termination of the contractual arrangements between Sipai Beijing Network, the Registered Shareholders and Yiling Shanghai Information, Yiling Shanghai Information had no operation and business and was voluntarily dissolved in March 2022. Our Directors confirmed that Yiling Shanghai Information was solvent immediately prior to its dissolution.

### *Acquisition of Ningbo Sipai Zhonghe by Sipai Healthcare Investment*

On May 25, 2021, Mr. Ma transferred his 5% equity interests in Ningbo Sipai Zhonghe to TSAI Yuen Ning (蔡婉寧), an Independent Third Party for the consideration of HKD10,000 with reference to the valuation of Ningbo Sipai Zhonghe appraised by an independent valuer. On June 23, 2021, each of Mr. Ma, Mr. Li and TSAI Yuen Ning transferred all his/her equity interests in Ningbo Sipai Zhonghe to Sipai Healthcare Investment. As a result, Ningbo Sipai Zhonghe became a wholly owned subsidiary of Sipai Healthcare Investment.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Upon completion of the above onshore shareholding adjustments, the simplified onshore shareholding structure of our Group is as below:



Notes:  
 1. ----- denotes contractual relationship under the Contractual Arrangements. Under the Contractual Arrangements, WFOE shall provide technical services to our Consolidated Affiliated Entities, and our Consolidated Affiliated Entities shall pay service fees to WFOE directly.  
 2. ..... denotes equity interests controlled by our Group under the Contractual Arrangements.

### Offshore Reorganization

#### *Distribution by Lucky Seven*

Immediately before the Reorganization, Lucky Seven held 70,004,000 Class A Ordinary Shares and 15,996,000 Class B Ordinary Shares of our Company. In order to reflect individual shareholders' indirect interests in our Company held through Lucky Seven, on June 14, 2021, Lucky Seven went through its own internal reorganization, upon completion of which, Lucky Seven was wholly owned by Simul International Holdings Limited (the “**Simul**”), a limited company wholly owned by Mr. Ma and the Ordinary Shares previously held by Lucky Seven were held by the following entities wholly-owned by the previous individual shareholders of Lucky Seven (the “**Individual BVI Entities**”):

<u>Individual BVI Entities</u>	<u>Ultimate Beneficial Owner</u>	<u>Number of Ordinary Shares held</u>
Spire-succession Limited (“ <b>Spire-succession</b> ”) . . . .	Mr. Li	19,995,000 Class A Ordinary Shares
Robert International Holdings Limited . . . . .	LUO Wei	799,800 Class B Ordinary Shares
Bacta Holdings Limited . . . . .	LI Dayong	6,398,400 Class B Ordinary Shares
Captain Sean Investment Co., Limited . . . . .	ZONG Ze	3,199,200 Class B Ordinary Shares
Jun An Healthcare Co., Limited . . . . .	LI Ran	799,800 Class B Ordinary Shares
Rosa Care Investment Co., Limited . . . . .	ZHANG Hongdan	4,798,800 Class B Ordinary Shares

#### *Repurchase of Shares*

Our Company entered into a series of share repurchase agreements with certain of our Shareholders to repurchase certain Shares as set out in the table below based on the arm's length negotiation among

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

parties with reference to the share price of the latest round of financing immediately before the relevant repurchase and the purchase price of such Shareholders. Details of which are set out below:

<u>Shareholders</u>	<u>Date of Repurchase Agreement</u>	<u>Number of Repurchase Shares</u>	<u>Number of Shares held after the Repurchase of Shares</u>
Grand Bow Global Limited . . . . .	April 20, 2021	6,110,920 Series C Preferred Shares	5,216,639 Series C Preferred Shares
Horizon Capital Development Ltd. . . . .	April 20, 2021	574,468 Series A-1 Preferred Shares	Nil
Sol Capital Holdings Ltd. . . . .	April 20, 2021	574,468 Series A-1 Preferred Shares	Nil
Mission Harvest Co., Ltd. . . . .	May 8, 2021	1,000,000 Class B Ordinary Shares	7,000,000 Class B Ordinary Shares
CCEIF Bigdata I Limited . . . . .	June 28, 2021	3,070,322 Series D Preferred Shares	17,765,593 Series D Preferred Shares 4,780,765 Series D+ Preferred Shares
CCEIF Bigdata II Limited . . . . .	June 28, 2021	8,929,678 Series D Preferred Shares	Nil

### *Issuance of Employee Incentive Shares*

In recognition of the contributions of our employees and to incentivize them to further promote our development, our Company adopted the 2017 Plan and RSU Scheme, details of which are set out in Appendix IV to this prospectus.

Pursuant to the 2017 Plan, our Company has allotted and issued (i) 7,000,000 Class A Ordinary Shares and 24,000,000 Class B Ordinary Shares to Spire-succession and Vision Launchpad Holdings Company Limited (a limited company ultimately controlled by a trust, the settlor of which is ZHOU Teng), respectively; (ii) 40,410,926 Class B Ordinary Shares and 16,119,529 Class B Ordinary Shares to Wise Approach and Creative Pioneer, respectively; and (iii) 6,991,000 Ordinary Shares to Lucky Seven, 13,005,000 Ordinary Shares to Spire-succession. Pursuant to the RSU Scheme, our Company has allotted and issued 10,004,000 Ordinary Shares to Sail Far.

Details of Wise Approach, Creative Pioneer and Sail Far, please see “—Employee Incentive Scheme” in this section.

### *Distribution by Asia Ventures, ERVC Healthcare and F-Prime Capital*

On June 29, 2021, Asia Ventures, ERVC Healthcare and F-Prime Capital (the “**Distribution Shareholders**”) completed the transfer by way of distribution in species of certain number of Preferred Shares in our Company to their limited partners and general partners, including Eight Roads Investments, Impresa Fund III Limited Partnership, Asia Partners III L.P., ERVC Healthcare Advisors IV L.P., F-Prime Capital Partners Healthcare Advisors Fund IV LP (the “**Distribution Transferees**”), in proportion to their respective partnership interests. For details of their shareholdings after the distribution, see “—Capitalization” in this section.

### **Exclusion of Offline Clinics Business**

In order to focus on our core businesses, we decided to exclude the subsidiaries and operating entities operating offline clinics business (the “**Excluded Group**”, being Sipai Health Guangzhou and its subsidiaries) from our Group (the “**Exclusion**”) before completing Series F Financing.



---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

We have taken the following steps for the Exclusion:

- (i) On June 23, 2021, our Company made a capital injection of US\$40 million into Medpion Health Technology Co., Ltd. (“**Medpion Cayman**”, formerly known as Spcare Technology Co., Ltd.) to support the future business development of the Excluded Group after the Exclusion;
- (ii) On June 23, 2021, our Company distributed all the shares of Medpion Cayman to our existing Shareholders in proportion to their shareholdings in our Company. As a result, the shareholding structure of Medpion Cayman substantially mirrored that of our Company;
- (iii) On June 25, 2021, MediGeek Network, our wholly-owned subsidiary, transferred all the shares of Sipai Medical Investment Co., Ltd. (思派醫療投資有限公司) (“**Sipai Medical Investment**”) to Spcare Technology (Hong Kong) Co., Limited at a consideration of approximately RMB104.63 million, which was determined based on arm’s length negotiation with reference to the total assets value of approximately RMB104.63 million of Sipai Medical Investment as of April 21, 2021 appraised by an independent valuer;
- (iv) On June 30, 2021, Sipai Health Guangzhou, Ningbo Sipai Zhonghe and Sipai Healthcare Investment, among other parties, terminated the contractual arrangement among themselves. On May 25, 2021, Ningbo Sipai Zhonghe transferred all the shares of Sipai Health Guangzhou to Qianrui (Beijing) Enterprise Investment Consulting Co., Ltd. (謙睿(北京)企業管理諮詢有限公司) (“**Qianrui Beijing**”) at nil consideration, which was determined based on arm’s length negotiation with reference to the net assets value of Sipai Health Guangzhou;
- (v) On June 30, 2021, Qianrui Beijing, Sipai Health Guangzhou, Sipai Information Technology (Xiamen) Technology Co., Ltd. (思派信息技術(廈門)有限公司) (“**Sipai Information Xiamen**”), among other parties, entered into the contractual arrangement through which Sipai Information Xiamen are able to exercise control over and derive the economic benefits from the Excluded Group. As a result, Medpion Cayman becomes the holding company of the Excluded Group.

### **Disposal of Online Hospital Service**

In order to improve our Group’s operational efficiency and focus on our core businesses, we decided to dispose our online hospital service operated through Sipai Medical Hainan and its subsidiaries to the Excluded Group (the “**Disposal**”).

Before the Disposal, the online hospital service was part of our value-added health management service underlying our health insurance plans, and was provided to our members without additional charges. We primarily provided health consultation, health management and health education through our online hospital service. The online hospital service accounted for a very insignificant portion of our Group during the Track Record Period in terms of financial contribution, but we had spent disproportionate time and resources to maintain its operation. We believe that the Disposal would enable us to allocate the resources to our core businesses more efficiently.

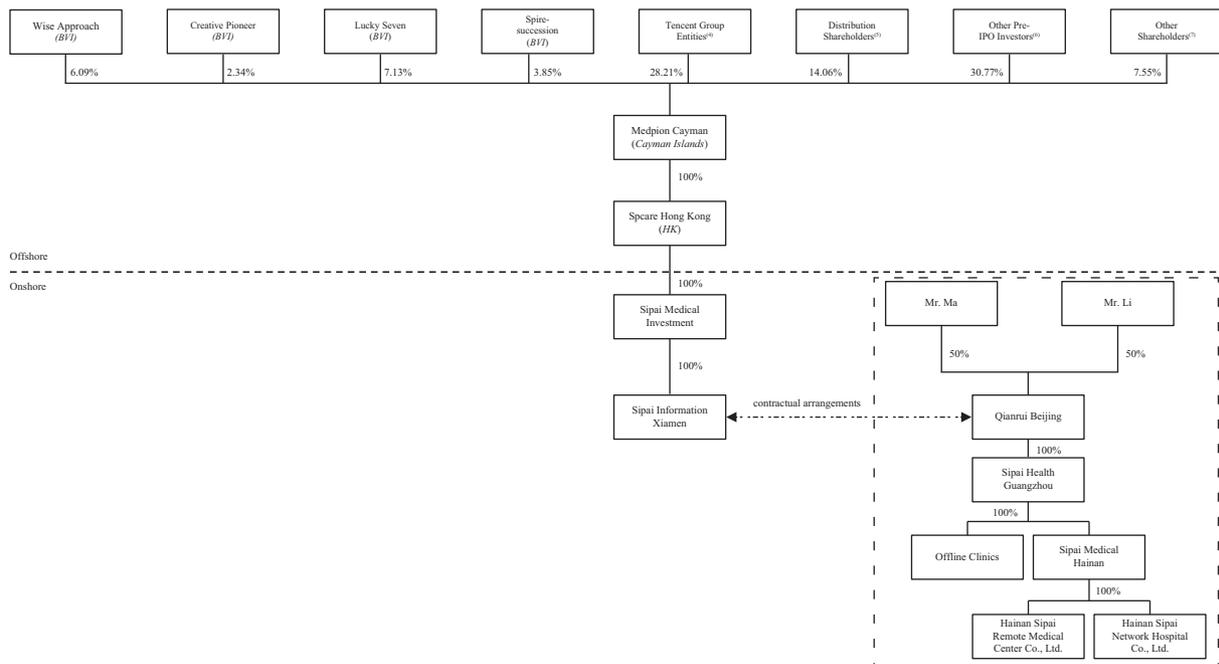
On September 15, 2022, Sipai Beijing Network transferred its 100% equity interests in Sipai Medical Hainan to Sipai Health Guangzhou, a wholly-owned holding subsidiary of Qianrui Beijing, at nominal consideration with reference to the negative net assets of Sipai Medical Hainan as of June 30, 2022.

On September 15, 2022, as a result of the Disposal, (i) Sipai Healthcare Investment and the Consolidated Affiliated Entities terminated the contractual arrangements entered into among them on April 25, 2022, and (ii) Sipai Healthcare Investment entered into new contractual arrangements with Beijing Sipai Brokerage only with similar key terms.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The Disposal does not have any material impact on our Group's business operations or financial conditions. After completion of the Disposal, the online hospital service has been provided by the Excluded Group to us, and our Group continues to provide such service to our members free of charge.

The simplified corporate chart below illustrates the shareholding and corporate structure of the Excluded Group immediately after the Exclusion and the Disposal.



### Notes:

1.  $\leftarrow$   $\rightarrow$  denotes contractual relationship
2.  $- - -$  denotes the entities that are subject to the contractual arrangements
3. Upon completion of the Exclusion, the Excluded Group will no longer form part of our Group.
4. Upon completion of the Exclusion, Tencent Group Entities included Tencent Mobility and TPP Follow-on, which held approximately 22.30% and 5.82% of total issued shares of Medpion Cayman respectively.
5. Upon completion of the Exclusion, Distribution Shareholders included Asia Ventures, ERVC Healthcare and F-Prime Capital, which held approximately 5.30%, 4.54% and 4.22% of total issued shares of Medpion Cayman respectively.
6. Upon completion of the Exclusion, Other Pre-IPO Investors included:
  - (a) JenCap RX Partners and JenCap RX, which held approximately 3.92% and 3.64% of total issued shares of Medpion Cayman respectively;
  - (b) CCEIF Bigdata I and CCEIF Bigdata II, which held approximately 3.65% and 1.27% of total issued shares of Medpion Cayman respectively;
  - (c) ZWC MB Investment Limited, which held approximately 4.56% of total issued shares of Medpion Cayman;
  - (d) IDG China Venture and IDG China V, which held approximately 3.15% and 0.18% of total issued shares of Medpion Cayman respectively;
  - (e) Wu Capital Limited, which held approximately 3.18% of total issued shares of Medpion Cayman;
  - (f) Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P., which held approximately 1.58% and 0.24% of our total issued Shares respectively;
  - (g) FOREBRIGHT VISION LIMITED, which held approximately 1.37% of total issued shares of Medpion Cayman;
  - (h) INNOVAC INTERNATIONAL LIMITED, which held approximately 1.15% of total issued shares of Medpion Cayman;
  - (i) Suzhou Yuan Kang Ding Xiang Investment Management Partnership (Limited Partnership), which held approximately 1.14% of total issued shares of Medpion Cayman;
  - (j) Grand Bow Global Limited, which held approximately 0.74% of total issued shares of Medpion Cayman;
  - (k) New Smart, L.P., which held approximately 0.64% of total issued shares of Medpion Cayman;
  - (l) Fortune Holdings Investment (H.K.) Limited, which held approximately 0.28% of total issued shares of Medpion Cayman; and
  - (m) TAIHECAP LIMITED, which held approximately 0.09% of total issued shares of Medpion Cayman.
7. Upon completion of the Exclusion, Other Shareholders included:
  - (a) Vision Launchpad Holdings Company Limited, which held approximately 3.42% of total issued shares of Medpion Cayman;
  - (b) Mission Harvest Co., Ltd., which held approximately 1% of total issued shares of Medpion Cayman;
  - (c) Bacta Holdings Limited, which held approximately 0.91% of total issued shares of Medpion Cayman;
  - (d) Ariel Z Healthcare Co., Ltd., which held approximately 0.85% of total issued shares of Medpion Cayman;
  - (e) Rosa Care Investment Co., Limited, which held approximately 0.68% of total issued shares of Medpion Cayman;
  - (f) Captain Sean Investment Co., Limited, which held approximately 0.46% of total issued shares of Medpion Cayman;
  - (g) Robert International Holdings Limited, which held approximately 0.11% of total issued shares of Medpion Cayman; and
  - (h) Jun An Healthcare Co., Limited, which held approximately 0.11% of total issued shares of Medpion Cayman.

The Excluded Group accounted for a very insignificant portion of the Group during the Track Record Period in terms of financial contribution. Our Company is able to meet the revenue / market capitalization test under Rule 8.05(3) of the Listing Rules after the Exclusion and the Disposal.

### **Relationship Between our Group and the Excluded Group**

#### *Delineation of Business and Non-Competition*

After completion of the Exclusion and the Disposal, our Group is primarily engaged in specialty pharmacy business, physician research assistance, and health insurance services, while the Excluded

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

Group is primarily engaged in the provision of online hospital service and offline clinics business. Our Directors are of the view that there is a clear delineation between the businesses operated by our Group and those operated by the Excluded Group, and the Excluded Group does not have any interest, whether directly or indirectly, in a business which competes with, or is likely to compete with, our businesses which would require disclosure under Rule 8.10 of the Listing Rules.

### *Independence from the Excluded Group*

Our Directors believe that we are able to conduct our businesses independently from the Excluded Group after the completion of the Global Offering for the following reasons:

- (i) our businesses are managed independently from the Excluded Group's business, and there is no overlap in the executive Directors between our Group and the Excluded Group. While (i) Mr. Ma serves as a director of Qianrui Beijing, (ii) Mr. Li serves as a supervisor of Qianrui Beijing, and (iii) Mr. ZHOU Teng, our chief strategy officer, serves as a director of Medpion Cayman, none of them participate in the daily business operations and management of the Excluded Group as those roles are non-executive in nature;
- (ii) our Group has our own operational departments with clearly defined roles and responsibilities, and makes and implements operational decisions independently of the Excluded Group; and
- (iii) our Company has established an independent financial system and makes independent financial decisions, and we do not rely on the Excluded Group for any financial assistance.

### *Connected Transactions*

The Excluded Group has provided us with health management services, including both offline clinics business and online hospital service. Those transactions will constitute continuing connected transactions after the Listing. See "Connected Transactions" in this prospectus for details.

The services provided by the Excluded Group to our Group were entered into on a non-exclusive basis and do not account for substantial proportions of our total revenue. Our Directors believe that, even if such transactions were terminated, our Company will be able to identify other suitable partners on comparable terms to meet our business and operational needs. See "Connected Transactions" in this prospectus for details.

## RE-CLASSIFICATION AND RE-DESIGNATION

In December 2020, our Company adopted weighted voting rights structure (the "**WVR Structure**"), pursuant to which (i) each holder of Class A Ordinary Shares shall be entitled to five (5) votes for each Share held, and such Class A Ordinary Shares are indirectly held by our Founders through Lucky Seven; (ii) each holder of Class B Ordinary Shares shall be entitled to one (1) vote for each Share held; and (iii) each holder of Preferred Shares held by the investors shall be entitled to the number of votes equal to the number of Class B Ordinary Shares into which the preferred Shares held by such holder could be converted as of the record date.

On June 29, 2021, our Company terminated the WVR Structure and all the Class A Ordinary Shares and the Class B Ordinary Shares were re-classified and re-designated as ordinary Shares on a one-for-one basis.

As a consequence of this, immediately prior to completion of the Global Offering, the authorized share capital of our Company will be US\$200,000 divided into (i) 1,444,164,685 ordinary Shares; (ii) 555,835,315 Preferred Shares.

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

The termination of the WVR Structure in June 2021 is primarily to smooth the application process of the Listing and to adopt a traditional corporate governance that is easier for potential investors to understand. After termination of the WVR Structure, our Founders continue to manage the Group and remain control over the Board.

Notwithstanding the shareholding changes and the termination of WVR Structure disclosed in this section, we are able to satisfy the ownership continuity requirement under Rule 8.05(3)(c) of the Listing Rules as (i) our Founders are the only two Directors with executive role; they each have two votes at the Board meetings before Listing and therefore have been able to control the majority of the voting power at our Board meetings, and will continue to control over our Board up to the Listing; and (ii) while Tencent Group Entities (as a group of single largest shareholders as of the Latest Practicable Date) have the right to designate one Director before Listing, the Director designated by them is of non-executive in nature and does not participate in the daily management and operation of our Company, and Tencent Group Entities have not exerted and will not exert control or significant influence over our Board up to the Listing.

Upon completion of the Reorganization, re-classification and re-designation, the issued share capital of our Company was US\$75,577.4690 divided into 219,199,231 Ordinary Shares and 536,575,459 Preferred Shares.

### EMPLOYEE INCENTIVE SCHEME

In recognition of the contributions of our employees and to incentivize them to further promote our development, we have adopted the 2017 Plan and the RSU Scheme. Each of Wise Approach, Creative Pioneer and Sail Far was incorporated as an Employee Incentive Platform for our employees, see “—Reorganization—Issuance of Employee Incentive Shares” in this section for details.

To implement the 2017 Plan, our Company, as the settlor, established the (i) Mission United Trust with Ark Trust (Hong Kong) Limited (“**Ark Trust**”) as the trustee on December 21, 2020; and (ii) Pioneer Trust with Lightstone Trust (Hong Kong) Limited (“**Lightstone Trust**”) as trustee on June 2, 2021. For details, see “—D. Share Schemes—1. 2017 Plan” in Appendix IV to this prospectus.

#### Wise Approach

Wise Approach was incorporated in BVI as a limited company on May 31, 2021 as an employee incentive platform for our employees pursuant to the 2017 Plan under the Mission United Trust. Mr. ZHOU Teng and Helm Management Limited are the directors of Wise Approach, and Mr. ZHOU Teng is responsible for the management of Wise Approach. On June 11, 2021, our Company allotted and issued 42,773,050 Class B Ordinary Shares to Wise Approach at par value pursuant to the 2017 Plan. On October 25, 2022, our Company repurchased and canceled 2,362,124 Shares held by Wise Approach at par value. As of the Latest Practicable Date, Wise Approach held 40,410,926 Ordinary Shares of our Company on trust for Ark Trust, the trustee of the Mission United Trust.

#### Creative Pioneer

Creative Pioneer was incorporated in BVI as a limited company on May 31, 2021 as an employee incentive platform for our employees under the Pioneer Trust pursuant to the 2017 Plan. Mr. ZHOU Teng and Helm Management Limited are the directors of Creative Pioneer, and Mr. ZHOU Teng is responsible for the management of Creative Pioneer. On June 11, 2021, our Company allotted and issued 16,426,181 Class B Ordinary Shares at par value to Creative Pioneer pursuant to the 2017 Plan.

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

On October 25, 2022, our Company repurchased and canceled 306,652 Shares held by Creative Pioneer at par value. As of the Latest Practicable Date, Creative Pioneer held 16,119,529 Ordinary Shares of our Company on trust for Lightstone Trust, the trustee of the Pioneer Trust.

To implement the RSU Scheme, our Company, as the settlor, established the Sail Far Trust with Lightstone Trust as the trustee on June 29, 2021. For details, see “—D. Share Schemes—2. RSU Scheme” in Appendix IV to this prospectus.

### **Sail Far**

Sail Far was incorporated in BVI as a limited company on June 1, 2021 as an employee incentive platform for our employees under the Sail Far Trust pursuant to the RSU Scheme. Mr. ZHOU Teng and Helm Management Limited are the directors of Sail Far, and Mr. ZHOU Teng is responsible for the management of Sail Far. As of the Latest Practicable Date, Sail Far held 10,004,000 Ordinary Shares of our Company on trust for Lightstone Trust, the trustee of the Sail Far Trust.

On August 5, 2021, each of the Employee Incentive Platforms, Mr. Ma and Mr. Li entered into a concert party agreement to act in concert in the management and operation of our Group. For details, see “—Concert Party Agreement” in this section.

As of the Latest Practicable Date and immediately prior to the Global Offering (assuming neither the Over-allotment Option nor any outstanding 2017 Plan Option is exercised), the issued share capital of our Company was US\$75,310.5914 divided into 216,530,455 Ordinary Shares and 536,575,459 Preferred Shares.

### **ESTABLISHMENT OF FAMILY TRUSTS**

Mr. Ma, as the settlor, established the Hygeia Trust and the Saludem Trust, both with Ocorian Trust (Cayman) Limited (“**Ocorian Trust**”) as the trustee. Lucky Seven allotted and issued 4,449 Ordinary Shares and 1,250 Ordinary Shares to Ocorian Trust as trustee of these two trusts indirectly holds Shares on trust, for the benefits of Mr. Ma and certain of his family members.

Mr. Li, as the settlor, established the Sper-succession Trust, with Ocorian Trust as the trustee. Spire-succession allotted and issued 49,999 Ordinary Shares to Ocorian Trust as trustee indirectly holds Shares on trust for the benefits of Mr. Li and certain of his family members.

### **CONCERT PARTY AGREEMENT**

Pursuant to a concert party agreement dated August 5, 2021 entered into by Concert Parties, the Concert Parties confirm that they have been acting in concert in the management and operation of our Group since the establishment of our Company, and will continue to act in concert in the management and operation of our Group. As of the Latest Practicable Date, the Concert Parties were entitled to exercise approximately 21.71% voting rights in our Company.

### **PRE-IPO INVESTMENTS**

#### **Principal Terms of the Pre-IPO Investments**

The Pre-IPO Investments include (i) Series A Financing, (ii) Series A-1 Financing, (iii) Series B Financing, (iv) Series C Financing, (v) Series D Financing, (vi) Series D+ Financing, (vii) Series E Financing, and (viii) Series F Financing, details of which are set out in “—Corporate Development of

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Our Group” in this section. The below table summarizes the principal terms of the Pre-IPO Investments:

Series	Date of Agreement	Date of Settlement	Approximate Proceeds Raised (in US\$ million)	Approximate Cost per Share (US\$)	Approximate Post-money Valuation of our Company (in US\$ million)	Discount to the Offer Price <sup>(1)(2)</sup>
A	August 17, 2015	August 19, 2015	3.00	0.1500	19.15	93.72% <sup>(3)</sup>
		March 9, 2016	2.00	0.1958	27.00	91.81% <sup>(3)</sup>
A-1	January 15, 2016	May 3, 2016	2.59	0.2176	35.98	90.90% <sup>(3)</sup>
B	June 2, 2016	June 17, 2016	20.00	0.3629	82.00	84.82% <sup>(3)</sup>
			2.00	0.3085		87.09% <sup>(3)</sup>
C	January 12, 2018	August 1, 2018	29.43	0.5067	154.61	78.80% <sup>(4)</sup>
D	November 19, 2018	November 30, 2018	54.00	0.6719	259.00	71.89% <sup>(4)</sup>
D+	October 22, 2019	December 18, 2019	81.50	0.9413	276.97	60.62% <sup>(4)</sup>
E	December 7, 2020	December 28, 2020	299.00	1.5639	1,137.38	34.57% <sup>(5)</sup>
	January 26, 2021	February 19, 2021				
F	June 24, 2021	June 29, 2021	80.60	2.2433	1,720.98	6.15% <sup>(5)</sup>

**Lock-Up period** The Shares held by the Pre-IPO Investors will be subject to a lock-up period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date.

**Basis of consideration** The consideration for the Pre-IPO Investments was based on arm’s length negotiations between us and the Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business and operations.

**Use of proceeds from the Pre-IPO Investments** We utilized the proceeds from the Pre-IPO Investments for business expansion and related capital expenditure and as working capital of our Group. As of the Latest Practicable Date, approximately 61.62% of the net proceeds from the Pre-IPO Investments had been utilized. We intend to utilize the remaining net proceeds from the Pre-IPO Investments after the Global Offering.

**Strategic benefits of the Pre-IPO Investors brought to our Company** At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the additional capital from the Pre-IPO Investments and the Pre-IPO Investors’ knowledge and experience. Our Pre-IPO Investors include (i) renowned companies in relevant industries which can help us achieve business synergies such as Tencent Group which has entered into certain framework agreements with our Company, details of which are set out in “Connected Transactions” in this prospectus; and (ii) professional institutional investors which can provide us with professional advice on our Group’s

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

development (including strategy planning and acquisitions) and our corporate governance (including financial management and talent development). The Pre-IPO Investments also demonstrate the Pre-IPO Investors' confidence in the business and operation of our Company.

*Notes:*

- (1) Assuming the Offer Price of HK\$18.60 per Share.
- (2) The amounts settled by the Pre-IPO Investors, which in turn affects the discount to the Offer Price received by each Pre-IPO Investor, were based on arm's length negotiations between such Pre-IPO Investor and our Company, which were primarily affected by the valuation of our Company at such particular point in time.
- (3) The amounts settled by Series A Investors, Series A-1 Investors and Series B Investors, were based on arm's length negotiations, which were primarily affected by, among others, the business prospects of our Company at an early development stage, which in turn reflects the investment risks assumed by the relevant Pre-IPO Investors, including the lack of liquidity and open market for trading in our Shares prior to the completion of the Global Offering and the Listing, the uncertainty as to the timeline of the Listing process and whether the Global Offering will be completed, and the lack of any plan to declare further dividend during the period from the completion of the Pre-IPO Investments to the completion of the Global Offering.
- (4) The amounts settled by Series C Investors, Series D Investors and Series D+ Investors, were based on arm's length negotiations, which were primarily affected by, among others, the launch and development of the Specialty Pharmacy Business and Health Insurance Services business in 2017, 2018 and 2019, which in turn reflect the business prospects, results of operation and financial condition of our Group.
- (5) The amounts settled by Series E Investors and Series F Investors, were based on arm's length negotiations, which were primarily affected by, among others, reference to the prevailing valuation of other comparable companies listed on Main Board at the material time, which in turn reflects lower investment risks of the relevant Pre-IPO Investors.

### **Rights of the Pre-IPO Investors**

Certain special rights, including rights of refusal and co-sale, information and inspection rights, dividend preference rights, drag-along rights and liquidation rights, were granted to our Pre-IPO Investors under our existing shareholders agreement and memorandum and articles. The relevant redemption rights were terminated immediately prior to the submission of the listing to the Stock Exchange for the purpose of the Global Offering. All the other special rights will be automatically terminated upon the completion of the Global Offering.

In addition, under our existing shareholders agreement, each of the Pre-IPO Investors holding 5% or more of the voting rights of our Company immediately prior to the Global Offering shall have the right to require our Company to issue additional Shares to it (and/or any of its affiliates), which will be subscribed for at the Offer Price, so that the aggregate ownership of it (together with its affiliates) in our Company immediately after the completion of the Global Offering will be the same as the aggregate ownership of it (together with its affiliates) in our Company immediately prior to the Global Offering (the "**Anti-dilution Rights**"). If the Anti-dilution Rights were exercised by the relevant Pre-IPO Investors, based on their shareholding in our Company as of the Latest Practicable Date, (i) Tencent Group Entities, (ii) Distribution Transferees and Distribution Shareholders as a group and (iii) JenCap RX and JenCap RX Partners as a group would be entitled to subscribe for approximately 2,754,379 Ordinary Shares, 1,299,991 Ordinary Shares and 699,035 Ordinary Shares at the Offer Price (representing approximately 0.36%, 0.17% and 0.09% of our total issued Shares upon Listing (assuming neither the Over-allotment Option nor any outstanding 2017 Plan Option is exercised)), respectively, so that they can maintain their shareholdings in our Company of approximately 27.77%, 13.11% and 7.05%, respectively.

All the Preferred Shares will be converted into ordinary Shares immediately upon the completion of the Global Offering, at which time our share capital will comprise ordinary Shares only.

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

### Information about Our Pre-IPO Investors

Set out below is information of our current Pre-IPO Investors. Save as those disclosed in “—Pre-IPO Investments—Public Float” in this section, each of our Pre-IPO Investors is an Independent Third Party.

#### Tencent

- Tencent Mobility is a limited liability company incorporated under the Laws of Hong Kong, which is a wholly-owned subsidiary of Tencent. TPP Follow-on is a limited liability company incorporated under the laws of the Cayman Islands, which is controlled by Tencent.

#### F-Prime Capital

- F-Prime Capital is a limited partnership established under the laws of Delaware (the U.S.). F-Prime Capital is a global venture capital fund and it and its affiliated funds invest in the healthcare (therapeutics, healthcare IT, healthcare services, med tech) and technology (enterprise tech, fintech) sections in the U.S., Europe and Asia. The general partner of F-Prime Capital is F-Prime Capital Partners Healthcare Advisors Fund IV LP, which is solely managed by Impresa Management LLC, as its investment manager and the managing member of its general partner.

#### Asia Ventures and ERVC Healthcare

- Asia Ventures is an exempted limited partnership registered under the laws of Bermuda. The general partner of Asia Ventures is Asia Partners III L.P., and the general partner of Asia Partners III L.P. is Eight Roads GP.
- ERVC Healthcare is an exempted limited partnership registered under the laws of Bermuda. The general partner of ERVC Healthcare is ERVC Healthcare Advisors IV LP, and the general partner of ERVC Healthcare Advisors IV LP is Eight Roads GP.
- Each of Asia Ventures and ERVC Healthcare is part of Eight Roads, a global proprietary investment firm backed by Fidelity, which mainly focuses on private investments in the healthcare (therapeutics, healthcare IT, healthcare services, med tech) and technology (enterprise tech, fintech, consumer/consumer tech) sectors in China and globally.

#### JenCap

- JenCap RX, a company incorporated in Cayman Islands, is wholly owned by Jeneration Capital Partners II L.P., a Cayman Islands limited partnership of which Jeneration Capital GP II is the general partner.
- JenCap RX Partners L.P. is a Cayman Islands limited partnership of which JenCap RX GP is the general partner. Each of Jeneration Capital GP II and JenCap RX GP is ultimately controlled by Mr. Jimmy Ching-Hsin Chang.

#### Other Pre-IPO Investors

- INNOVAC INTERNATIONAL LIMITED is an investment holding company incorporated in BVI and is wholly-owned by Shanghai Shengyu Investment Partnership (Limited Partnership) (上海盛瑜投資合夥企業(有限合夥)), whose general partner is Changzhou Jianteng Investment Partnership (Limited Partnership) (常州健騰投資合夥企業(有限合夥)), which in turn, is controlled by Ping An Dingchuang Equity Investment Management (Shanghai) Co., Ltd. (“**Ping An**



---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

**Investment**”). Ping An Investment is the healthcare sector investment platform of Ping An Insurance (Group) Company of China, Ltd.. It invested globally across different investment stages, including venture capital, buyout, privatization and strategic investment, major in healthcare industry.

- IDG China Venture and IDG China V, both Cayman exempted limited partnership, are venture capital funds with a primary purpose of making equity investments, mainly in seed and growth stage companies in China, focusing on companies in the information technology, media, healthcare, energy, clean technology and non-technology consumer businesses and services related industries, including, but not limited to, companies engaged in software, internet, telecom, media and managed healthcare business.
- CCEIF Bigdata I and CCEIF Bigdata II are limited liability companies incorporated in BVI and are wholly-owned by CCEIF (Xiamen) Intelligent Industry Equity Investment Fund Partnership (Limited Partnership) (中電中金(廈門)智能產業股權投資基金合夥企業(有限合夥)) (“**CCEIF**”) as its offshore investment entities. CCEIF Bigdata I and CCEIF Bigdata II were incorporated solely for the purpose of investment in our Company and none of CCEIF Bigdata I and CCEIF Bigdata II made other investments. CCEIF is a RMB fund registered in the PRC, focusing on companies in integrated circuits, bigdata and AI in the PRC.
- Suzhou Yuan Kang Ding Xiang Investment Management Partnership (Limited Partnership) is established in the PRC. Its general partner is Sheng Ding Equity Investment Fund Management Co., Ltd. (盛鼎股權投資基金管理有限責任公司) (“**Sheng Ding**”), whose legal representative and ultimate controller is Mr. LI Hui. Sheng Ding mainly focuses on investment in biopharmaceuticals and intelligent manufacturing. It has invested several biotechnology companies in the PRC.
- Wu Capital Limited is wholly owned by TMF (Cayman) Ltd., as the trustee of a trust set up by Ms. CAI Xinyi.
- FOREBRIGHT VISION LIMITED (“**Forebright**”), a company incorporated in BVI with limited liability, is a special purpose company established for investment in our Group. As at the Latest Practicable Date, Forebright was wholly owned by Forebright New Opportunities Fund II, L.P. (“**FNOF II**”). The general partner of FNOF II is FNOF GP II Limited, which is in turn wholly owned by Forebright Global Limited, a company incorporated in BVI on November 14, 2016 with limited liability (the “**Forebright Global**”). FNOF II is an investment fund focusing on investment opportunities in healthcare, software and business services and advanced manufacturing in the PRC. The ultimate beneficial owners of Forebright Global are Mr. Ip Kun Wan and Mr. Liu Cheng, who hold approximately 41.4% and 58.6% equity interest in Forebright Global, respectively.
- Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P. are exempted limited partnerships established under the laws of the Cayman Islands and are controlled by 5Y Capital GP Limited, as their general partner.
- ZWC MB Investment Limited is a limited liability company established under the laws of BVI. ZWC MB Investment Limited focuses on investments in healthcare sectors. It is controlled by ZWC Fund II General Partners Limited as its controlling shareholder.
- HBC Asia Healthcare Opportunities VIII LLC is a Delaware company managed by Hudson Bay Capital Management LP (“**HBC**”), a multi-billion-dollar asset management firm operating in New York, Connecticut, Miami and London. With over 140 employees, HBC has been managing assets on behalf of outside investors since 2006. HBC invests across multiple strategies by utilizing rigorous fundamental analysis and seeks to identify value and growth opportunities that

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

are uncorrelated to each other and market indices. HBC promotes an integrated team culture emphasizing collaboration and cross-pollination of ideas across sectors and strategies. HBC's dedicated investment team seeks to achieve outstanding performance by investing in companies that are poised for growth or are undervalued while maintaining a focus on risk management.

- Octagon Investments Master Fund LP (“**Octagon Investments**”) is an exempted limited partnership formed under the laws of the Cayman Islands and Octagon Private Opportunities Fund LP (the “**Private Fund**”) is a limited partnership formed under the laws of Delaware in the United States, with both funds operating as private investment funds. Octagon Capital Advisors LP (“**Octagon Capital**”), a Delaware limited partnership and registered investment advisor with the U.S. Securities Exchange Commission, serves as the investment manager to Octagon Investments and the Private Fund. Founded in 2019, Octagon Capital is a multi-stage investment manager dedicated to evidence-based investing in public and private healthcare companies globally, with a focus in the US and China. Octagon Capital strives to build concentrated, long-term investments and work with its portfolio management teams as partners. Octagon Capital manages capital on behalf of global institutions such as university endowments, non-profit foundations, family offices, pension funds and established asset managers.
- Grand Bow Global Limited is an investment holding company incorporated in BVI and is wholly-owned by Mr. ZHANG Hong. It was incorporated solely for the purpose of investment in our Company.
- 3W Fund Management Limited (“**3W**”) is incorporated in Hong Kong with limited liability and licensed by the SFC to carry on type 9 (asset management) regulated activity. 3W has discretionary investment management power over 3W Healthcare Fund and 3W Global Fund. 3W Healthcare Fund and 3W Global Fund pursue to maximize absolute return and seek long-term capital growth primarily through fundamental investment principle with value approach.
- New Smart L.P. is a limited partnership incorporated in the Cayman Islands and is controlled by WU Shangzhi and JIAO Shuge. New Smart L.P. is part of CDH, which is a global proprietary investment firm mainly focusing on private investments in the healthcare, consumer, and technology sectors in China and globally.
- Sage Partners Alpha 1 L.P. is an exempted limited partnership established under the laws of the Cayman Islands. It is a pooled-investment fund with Sage Partners Limited as the investment manager. Sage Partners Limited is licensed by the SFC to carry out type 9 regulated activities, and mainly focuses on investment opportunities in the healthcare sector by deploying a long-term fundamental-based approach.
- Fortune Holdings Investment (H.K.) Limited is incorporated in Hong Kong with limited liability and is an investment vehicle wholly-owned by Mr. WONG Wai, which mainly focuses on private investments in healthcare and biotechnology sectors in China and globally.
- HEALTHY TALENT LIMITED is a limited liability company incorporated in Hong Kong in March 2021 and is controlled by PERFECT SCIENCE LIMITED.
- TAIHECAP LIMITED is a limited liability company incorporated in BVI and is controlled by Mr. SONG Liangjing. It mainly focuses on private investments on consumer, technology and healthcare sectors.
- Mercury Investment Holdings Limited is a limited liability company incorporated in the Cayman Islands and is controlled by ZHOU Huijie. It is a family investment holding company and mainly focuses on pan-Asia private equity and growth investment opportunity.

---

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

---

### **Public Float**

To the best of our knowledge, except for the following Pre-IPO Investors, the other Pre-IPO Investors will not become our core connected persons (as defined under the Listing Rules) upon the completion of the Global Offering (assuming neither the Over-allotment Option nor any outstanding 2017 Plan Option is exercised) and the Shares held by them will be counted towards the public:

- (i) the 209,119,356 Shares held in aggregated by Tencent Group Entities, representing approximately 27.77% of our total issued Shares as of the Latest Practicable Date, or approximately 27.41% of our total issued Shares upon Listing (assuming neither the Over-allotment Option nor any outstanding 2017 Plan Option is exercised); and
- (ii) the 98,698,555 Shares held in aggregated by the Distribution Shareholders and Distribution Transferees, representing approximately 13.11% of our total issued Shares as of the Latest Practicable Date, or approximately 12.94% of our total issued Shares upon Listing (assuming neither the Over-allotment Option nor any outstanding 2017 Plan Option is exercised).

Upon the completion of the Global Offering (assuming neither the Over-allotment Option nor any outstanding 2017 Plan Option is exercised), the free float and public float of our Company will be approximately 1.30% and 38.23% respectively.

### **Compliance with Guidance Letters from the Stock Exchange**

Based on the documents provided by the Company relating to the Pre-IPO Investments, the Joint Sponsors confirm that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments (HKEX-GL29-12) issued on January 2012 and updated in March 2017 by the Stock Exchange, the Guidance Letter (HKEX-GL43-12) issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange and the Guidance Letter (HKEX-GL44-12) issued in October 2012 and updated in March 2017 by the Stock Exchange.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### CAPITALIZATION

The below table is a summary of the capitalization of our Company as of the Latest Practicable Date and immediately upon completion of the Global Offering (assuming neither the Over-allotment Option nor any outstanding 2017 Plan Options are exercised):

	Ordinary Shares	Series A Preferred Shares	Series A-1 Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Series D+ Preferred Shares	Series E Preferred Shares	Series F Preferred Shares	Ownership percentage as of the Latest Practicable Date	Ownership percentage upon completion of the Global Offering
Lucky Seven	57,000,000	—	—	—	—	—	—	—	—	7.57%	7.47%
Spire-succession	40,000,000	—	—	—	—	—	—	—	—	5.31%	5.24%
Individual BVI Entities (except Spire-succession)	15,996,000	—	—	—	—	—	—	—	—	2.12%	2.10%
Mission Harvest Co., Ltd.	7,000,000	—	—	—	—	—	—	—	—	0.93%	0.92%
Ariel Z Healthcare Co., Ltd.	6,000,000	—	—	—	—	—	—	—	—	0.80%	0.79%
Employee Incentive Platforms	66,534,455	—	—	—	—	—	—	—	—	8.83%	8.72%
Vision Launchpad Holdings Company Limited	24,000,000	—	—	—	—	—	—	—	—	3.19%	3.15%
Distribution Shareholders	—	23,950,574	807,538	1,972,459	11,933,834	815,017	—	—	—	5.24%	5.17%
Distribution Transferees	—	6,262,192	1,884,255	18,289,925	5,114,500	17,044,339	10,623,922	—	—	7.86%	7.76%
INNOVAC INTERNATIONAL LIMITED	—	—	8,042,553	—	—	—	—	—	—	1.07%	1.05%
Tencent Mobility	—	—	—	41,335,264	—	11,906,237	42,495,688	61,385,021	11,144,172	22.34%	22.05%
IDG China Venture	—	—	—	—	18,670,148	1,408,062	2,010,258	—	—	2.93%	2.89%
IDG China V	—	—	—	—	1,063,652	80,218	114,526	—	—	0.17%	0.16%
Fortune Holdings Investment (H.K.) Limited	—	—	—	—	1,973,380	—	—	—	—	0.26%	0.26%
Grand Bow Global Limited	—	—	—	—	5,216,639	—	—	—	—	0.69%	0.68%
CCEIF Bigdata I	—	—	—	—	—	17,765,593	4,780,765	—	—	2.99%	2.95%
TPP Follow-on	—	—	—	—	—	14,882,797	10,623,922	15,346,255	—	5.42%	5.35%
New Smart, L.P.	—	—	—	—	—	4,464,839	—	—	—	0.59%	0.59%
Wu Capital Limited	—	—	—	—	—	—	15,935,883	6,394,273	—	2.97%	2.93%
JenCap RX Partners	—	—	—	—	—	—	—	27,495,374	—	3.65%	3.60%
JenCap RX	—	—	—	—	—	—	—	25,577,092	—	3.40%	3.35%
FOREBRIGHT VISION LIMITED	—	—	—	—	—	—	—	—	9,591,409	1.57%	1.55%
Evolution Special Opportunity Fund I, L.P.	—	—	—	—	—	—	—	—	11,120,475	1.48%	1.46%

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

	Ordinary Shares	Series A Preferred Shares	Series A-1 Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Series D+ Preferred Shares	Series E Preferred Shares	Series F Preferred Shares	Ownership percentage as of the Latest Practicable Date	Ownership percentage upon completion of the Global Offering
Evolution Fund I Co-investment, L.P. ....	—	—	—	—	—	—	—	1,668,071	—	0.22%	0.22%
ZWC MB Investment Limited .....	—	—	—	—	—	—	—	31,971,365	—	4.25%	4.19%
TAIHECAP LIMITED .....	—	—	—	—	—	—	—	639,427	—	0.08%	0.08%
Suzhou Yuan Kang Ding Xiang Investment Management Partnership (Limited Partnership) .....	—	—	—	—	7,988,910	—	—	—	—	1.06%	1.05%
Octagon Investments Master Fund LP .....	—	—	—	—	—	—	—	—	3,343,251	0.44%	0.44%
Octagon Private Opportunities Fund LP .....	—	—	—	—	—	—	—	—	3,343,252	0.44%	0.44%
HBC Asia Healthcare Opportunities VIII LLC .....	—	—	—	—	—	—	—	—	6,686,503	0.89%	0.88%
3W Healthcare Fund .....	—	—	—	—	—	—	—	—	2,228,834	0.30%	0.29%
3W Global Fund .....	—	—	—	—	—	—	—	—	2,228,834	0.30%	0.29%
Sage Partners Alpha 1 L.P. ....	—	—	—	—	—	—	—	—	2,228,834	0.30%	0.29%
HEALTHY TALENT LIMITED ...	—	—	—	—	—	—	—	—	2,228,834	0.30%	0.29%
Mercury Investment Holdings Limited .....	—	—	—	—	—	—	—	—	267,460	0.04%	0.04%
Shareholders in the Global Offering .....	—	—	—	—	—	—	—	—	—	—	1.30%
<b>Total</b> .....	<b>216,530,455</b>	<b>30,212,766</b>	<b>10,734,346</b>	<b>61,597,648</b>	<b>51,961,063</b>	<b>68,367,102</b>	<b>86,584,964</b>	<b>191,188,762</b>	<b>35,928,808</b>	<b>100%</b>	<b>100%</b>

*Note:*

The discrepancy in the table between total and sum of amounts listed therein is due to rounding.

### PRC LEGAL COMPLIANCE

#### Corporate Structure and Reorganization

Our PRC Legal Adviser has confirmed that the Reorganization is in compliance with the applicable law and regulation in all material aspects and applicable regulatory approvals which should be obtained in all material aspects in relation to the equity transfers in respect of the PRC companies in our Group as described above have been obtained and such equity transfers of our PRC companies described above have been legally completed.

#### M&A Rules

Pursuant to Article 2 of the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”), which were jointly promulgated by the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAMR, the CSRC and the SAFE on August 8, 2006, came into effect on September 8, 2006 and subsequently amended on June 22, 2009, “merger and acquisition of domestic enterprises by foreign investors” referred to in the M&A Rules shall mean that a foreign investor purchases the equity interest of a shareholder in a domestic non-foreign-invested enterprise (“**domestic company**”) or subscribes for increased capital of a domestic company so as to convert such domestic company into a foreign-invested enterprise; or, a foreign investor establishes a foreign-invested enterprise, through which it purchases and operates the assets of a domestic enterprise by agreement, or, a foreign investor purchases the assets of a domestic enterprise by agreement and then invests such assets to establish a foreign invested enterprise and operates the assets.

According to the Article 11 of the M&A Rules, where a domestic enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic enterprise which is related to or connected with it/him/her, approval from the MOFCOM is required. The M&A Rules, among others, also require that an offshore special purpose vehicle, or a SPV, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such SPV’s securities on an overseas stock exchange, especially in the event that the SPV acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Adviser has advised that unless new laws and regulations are enacted or MOFCOM, CSRC or other competent authorities publish new provisions or interpretations on the M&A Rules in the future, the Reorganization does not require approvals from MOFCOM under Article 11 of the M&A Rules and approvals from the CSRC under the M&A Rules, given that

- (i) TSAI Yuen Ning, as a Hong Kong permanent resident, at the time of acquiring 5% equity interests in Ningbo Sipai Zhonghe, was not related with Ningbo Sipai Zhonghe, and Ningbo Sipai Zhonghe was a foreign-invested enterprise (rather than a domestic company as defined under the M&A Rules) when its equity interests was acquired by Sipai Healthcare Investment; and
- (ii) no explicit provision in the M&A Rules classifies the Contractual Arrangements among WFOE, the Consolidated Affiliated Entities and the Registered Shareholders as a type of acquisition transaction under the M&A Rules.

However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and we cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Adviser.

### **SAFE Circular 37**

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Round-tripping Investment through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “**SAFE Circular 37**”) on July 14, 2014, which replaced the former circular commonly known as “SAFE Circular 75” promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle”. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or swap, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle maybe restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

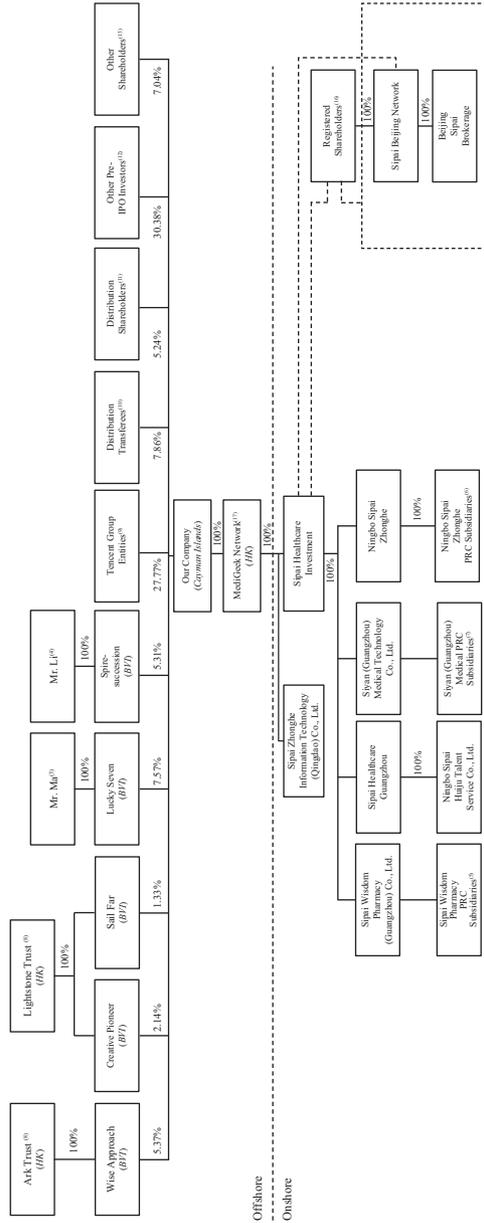
On February 13, 2015, SAFE released the Notice on Further Simplifying the Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the “**SAFE Circular 13**”), which became effective from June 1, 2015. According to SAFE Circular 13, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37. However, there exists uncertainties with respect to its interpretation and implementation by governmental authorities and banks.

As advised by our PRC Legal Adviser, Mr. Ma and Mr. Li have completed the foreign exchange registration under SAFE Circular 37 and SAFE Circular 13 on June 11, 2021.

**CORPORATE STRUCTURE**

**Our Corporate Structure as of the Latest Practicable Date**

The following chart sets forth our corporate structure as of the Latest Practicable Date:



**Notes:**

1. .... denotes contractual relationships under the Contractual Arrangements. Under the Contractual Arrangements, WFOE shall provide technical services to our Consolidated Affiliated Entities, and our Consolidated Affiliated Entities shall pay service fees to WFOE directly.
2. :..... denotes equity interests controlled by our Group under the Contractual Arrangements.
3. As of the Latest Practicable Date, Lucky Seven was owned as to approximately 0.02% by Simul, a wholly-owned company incorporated in BVI of Mr. Ma, 21.93% by Salutem and 78.05% by Hygeia, both of which are the holding companies pursuant to the family trust of Mr. Ma respectively. For details, see "—Establishment of Family Trust" in this section.
4. As of the Latest Practicable Date, Spire-succession was owned as to approximately 0.0002% by Shiming, a wholly-owned company incorporated in BVI of Mr. Li and 99.9998% by Spire-succession, a holding company pursuant to the family trust of Mr. Li, respectively. For details, see "—Establishment of Family Trust" in this section.
5. Sipai Wisdom Pharmacy PRC Subsidiaries include the following direct and indirect wholly-owned subsidiaries of Sipai Wisdom Pharmacy (Guangzhou) Co., Ltd., (思派智慧大藥房(廣州)有限公司) ("Sipai Wisdom Pharmacy"), all incorporated in the PRC:
  - (a) Sipai Wisdom Pharmacy (Shanghai) Co., Ltd. (思派智慧大藥房(上海)有限公司);
  - (b) Guangzhou Sipai Pharmaceuticals Chain Co., Ltd. (廣州市思派藥業鏈有限公司);
  - (c) Ditiqi Trading (Shanghai) Co., Ltd. (蒂奇商貿(上海)有限公司);
  - (d) Siweite (Beijing) Healthcare Management Co., Ltd. (思維特(北京)健康管理有限公司) ("Beijing Siweite");
  - (e) Daqing Sipai Pharmacy Co., Ltd. (大慶思派大藥房有限公司);
  - (f) Sipai Dongyuan Pharmacy (Shanghai) Co., Ltd. (思派東苑大藥房(上海)有限公司);
  - (g) Ningbo Sipai Huiyuan Health Technology Co., Ltd. (寧波思派匯源健康科技有限公司)(formerly known as 寧波思派大藥房有限公司);
  - (h) Beijing Hengrenfukang Medical Co., Ltd. (北京仁福康醫藥有限公司);
  - (i) Guangdong Dahui Medical Co., Ltd. (廣東達慧醫藥有限公司);
  - (j) Chongqing Sipai Pharmacy Co., Ltd. (重慶思派大藥房有限公司);
  - (k) Tianjin Sipai Pharmacy Co., Ltd. (天津思派大藥房有限公司);
  - (l) Hainan Sipai Pharmacy Co., Ltd. (海南思派大藥房有限公司);
  - (m) Hubei Sipai Pharmacy Co., Ltd. (湖北思派大藥房有限公司);



# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (n) Ningxia Sipai Pharmacy Co., Ltd. (寧夏思派大藥房有限公司);
- (o) Guangxi Sipai Pharmacy Co., Ltd. (廣西思派大藥房有限公司);
- (p) Sipai Pharmacy (Shanghai) Co., Ltd. (思派大藥房(上海)有限公司);
- (q) Shaanxi New Territory Sipai Pharmacy Co., Ltd. (陝西新地思派大藥房有限公司);
- (r) Xi'an Sipai Pharmacy Co., Ltd. (西安思派大藥房有限公司);
- (s) Guangzhou Sipai Pharmacy Co., Ltd. (廣州思派大藥房有限公司);
- (t) Urumqi Sipai Medical Co., Ltd. (烏魯木齊思派醫藥有限公司);
- (u) Shandong Sipai Pharmacy Co., Ltd. (山東思派大藥房有限公司);
- (v) Hunan Sipai Pharmacy Co., Ltd. (湖南思派大藥房有限公司);
- (w) Hebei Sipai Pharmacy Co., Ltd. (河北思派大藥房有限公司);
- (x) Beijing Sijiang Pharmacy Co., Ltd. (北京四季堂大藥房有限責任公司);
- (y) Harbin Zhibe Medical Co., Ltd. (哈爾濱致和醫藥有限公司);
- (z) Guizhou Sipai Medical Co., Ltd. (貴州思派醫藥有限公司);
- (aa) Nanchang Sipai Pharmacy Co., Ltd. (南昌思派大藥房有限公司);
- (bb) Jiangsu Sipai Pharmacy Co., Ltd. (江蘇思派大藥房有限公司) ("Jiangsu Sipai");
- (cc) Suzhou Sipai Pharmacy Co., Ltd. (蘇州思派大藥房有限公司);
- (dd) Taizhou Quannuo Pharmacy Co., Ltd. (台州市全諾大藥房有限公司);
- (ee) Hangzhou Sipai Dongyuan Pharmacy Co., Ltd. (杭州思派東苑大藥房有限公司);
- (ff) Sichuan Sipai Pharmacy Co., Ltd. (四川思派大藥房有限公司);
- (gg) Guangxi Nanning Tongjiantang Pharmacy Co., Ltd. (廣西南寧同濟堂大藥房有限公司);
- (hh) Ningbo Sipai Pharmacy Co., Ltd. (寧波思派大藥房有限公司);
- (ii) Zhengzhou Sipai Pharmacy Co., Ltd. (鄭州思派大藥房有限公司);
- (jj) Fuzhou Sipai Pharmacy Co., Ltd. (福州思派大藥房有限公司);
- (kk) Yunnan Diji Pharmacy Co., Ltd. (雲南帝地醫藥有限公司);
- (ll) Changsha Sipai Pharmacy Co., Ltd. (長沙思派大藥房有限公司);
- (mm) Hohhot Sipai Pharmacy Co., Ltd. (呼和浩特思派大藥房有限公司);
- (nn) Gansu Sipai Pharmacy Co., Ltd. (甘肅思派大藥房有限公司);
- (oo) Baoding Sipai Medical Sales Co., Ltd. (保定思派醫藥銷售有限公司);
- (pp) Hefei Sipai Pharmacy Co., Ltd. (合肥思派大藥房有限公司);
- (qq) Shangqiu Sipai Pharmacy Co., Ltd. (商丘思派大藥房有限公司);
- (rr) Yantai Runyao Pharmacy Co., Ltd. (煙台潤藥大藥房有限公司);
- (ss) Jinhua Sipai Pharmacy Co., Ltd. (金華市思派大藥房有限公司);
- (tt) Taizhou Sipai Pharmacy Co., Ltd. (台州思派大藥房有限公司);
- (uu) Chengde Panweite Pharmacy Co., Ltd. (成德派維特大藥房有限公司);
- (vv) Jilin Sipai Pharmacy Co., Ltd. (吉林省思派大藥房有限公司);
- (ww) Handu Sipai Pharmaceuticals Co., Ltd. (邯鄲思派醫藥有限公司);
- (xx) Hangzhou Sipai Pharmacy Co., Ltd. (杭州思派大藥房有限公司);
- (yy) Ningbo Haishu Benqiang Pharmaceuticals Retail Co., Ltd. (寧波市海曙本氣堂醫藥零售有限公司);
- (zz) Tianjin Kangzhong Pharmacy Co., Ltd. (天津市康眾大藥房有限公司);
- (aaa) Chongqing Sweite Pharmacy Co., Ltd. (重慶思維特大藥房有限公司);
- (bbb) Fuzhou Sweite Pharmacy Co., Ltd. (福州思維特大藥房有限公司);
- (ccc) Quanzhou Sipai Pharmacy Co., Ltd. (泉州思派大藥房有限公司); and
- (ddd) Zhangzhou Sipai Pharmacy Co., Ltd. (漳州思派大藥房有限公司).
- Sipai Wisdom Pharmacy PRC Subsidiaries include the following direct and indirect non-wholly-owned subsidiaries of Sipai Wisdom Pharmacy, all incorporated in the PRC:
- (a) Taiyuan Taikang Xime Pharmacy Co., Ltd. (太原泰康維特大藥房有限公司), 51% of which is directly held by Sipai Wisdom Pharmacy and the remaining 49% is held by an Independent Third Party;
- (b) Shenyang Sanheyuan Pharmacy Co., Ltd. (瀋陽三合藥房有限公司), 51% of which is directly held by Sipai Wisdom Pharmacy and the remaining 49% is held by an Independent Third Party;
- (c) Weichai Renji Medical Sales Co., Ltd. (威海仁濟醫藥銷售有限公司), 51% of which is directly held by Sipai Wisdom Pharmacy and the remaining 49% is held by two Independent Third Parties;
- (d) Dandong Sanheyuan Pharmacy Co., Ltd. (丹東三合藥房有限公司) is wholly-owned by Shenyang Sanheyuan;
- (e) Shenyang Sanheyuan Bo'ai Pharmacy Co., Ltd. (瀋陽三合藥房有限公司) is wholly-owned by Shenyang Sanheyuan;
- (f) Dalian Sanheyuan Pharmacy Co., Ltd. (大連三合藥房有限公司) is wholly-owned by Shenyang Sanheyuan;
- (g) Dalian Sanheyuan Grand Pharmacy Co., Ltd. (大連三合藥房有限公司) is wholly-owned by Shenyang Sanheyuan;

# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (h) Andan Sanheyuan Pharmacy Co., Ltd. (鞍山三合康藥房有限公司) is wholly-owned by Shengyang Sanheyuan;
- (i) Jinzhou Sanheyuan Pharmacy Co., Ltd. (錦州三合康藥房有限公司) is wholly-owned by Shengyang Sanheyuan;
- (j) Zigong Sipai Pharmacy Co., Ltd. (自貢思派大藥房有限公司), 51% of which is directly held by Beijing Swiweite and the remaining 49% is held by an Independent Third Party;
- (k) Heilongjiang Sipai Pharmacy Co., Ltd. (黑龍江思派大藥房有限公司), 55% of which is directly held by Beijing Swiweite and the remaining 45% is held by three Independent Third Parties;
- (l) Jilin Sipai Pharmacy Co., Ltd. (吉林思派大藥房有限公司), 51% of which is directly held by Beijing Swiweite and the remaining 49% is held by an Independent Third Party;
- (m) Shenzhen Sipai Pharmacy Co., Ltd. (深圳思派大藥房有限公司), 51% of which is directly held by Beijing Swiweite and the remaining 49% is held by an Independent Third Party;
- (n) Shanxi Swiweite Healthcare Management Consulting Co., Ltd. (山西思維特健康諮詢有限公司) ("Shanxi Swiweite"), 51% of which is directly held by Beijing Swiweite and the remaining 49% is held by an Independent Third Party;
- (o) Wuxi Sipai Pharmacy Co., Ltd. (無錫思派大藥房有限公司), 51% of which is directly held by Beijing Swiweite and the remaining 49% is held by two Independent Third Parties;
- (p) Xuzhou Sipai Pharmacy Co., Ltd. (徐州思派大藥房有限公司), 51% of which is directly held by Jiangsu Sipai and the remaining 49% is held by two Independent Third Parties;
- (q) Taiyuan Sipai Pharmacy Co., Ltd. (太原思派大藥房有限公司) is wholly-owned by Shanxi Swiweite;
- (r) Datong Sipai Pharmacy Co., Ltd. (大同思派大藥房有限公司) is wholly-owned by Shanxi Swiweite;
- (s) Changzhi Sipai Pharmacy Co., Ltd. (長治思派大藥房有限公司), formerly known as 長治市九康大藥房有限公司) is wholly-owned by Shanxi Swiweite;
- (t) Beijing Renbo Pharmacy Co., Ltd. (北京仁博大藥房有限公司), 70% of which is directly held by Sipai Wisdom Pharmacy and the remaining 30% is held by an Independent Third Party;
- (u) Zunyi Sipai Pharmacy Co., Ltd. (遵義思派大藥房有限公司), 51% of which is directly held by Beijing Swiweite and the remaining 49% is held by an Independent Third Party;
- (v) Beijing Renbo Swiweite Pharmacy Co., Ltd. (北京仁博思維特大藥房有限公司), 70% of which is directly held by Beijing Swiweite and the remaining 30% is held by an Independent Third Party;
- (w) Linyi Yixin Pharmacy Co., Ltd. (臨沂宜心大藥房有限公司), 51% of which is directly held by Beijing Swiweite and the remaining 49% is held by two Independent Third Parties; and
- (x) Qingdao Sipai Pharmacy Co., Ltd. (青島思派大藥房有限公司), 70% of which is directly held by Beijing Swiweite and the remaining 30% is held by an Independent Third Party.
6. Ningbo Sipai Zhongtjie PRC Subsidiaries include the following direct and indirect wholly-owned subsidiaries of Ningbo Sipai Zhongtjie, all incorporated in the PRC:
- (a) Sipai Healthcare Management (Ningbo) Co., Ltd. (思派健康管理 (寧波) 有限公司);
- (b) Sipai Healthcare Technology (Ningbo) Co., Ltd. (思派健康科技 (寧波) 有限公司);
- (c) Ningbo Sipai Kaiyuan Technology Co., Ltd. (寧波思派開源科技有限公司);
- (d) Ningbo Sipai Fuyuan Talent Resources Co., Ltd. (寧波思派賦源人才資源有限公司);
- (e) Beijing Sipai Healthcare Technology Co., Ltd. (北京思派健康技術有限公司), and
- (f) Sipai (Beijing) Medical Technology Co., Ltd. (思派 (北京) 醫療科技有限公司).
7. Sivan (Guangzhou) Medical PRC Subsidiaries include the following direct and indirect wholly-owned subsidiaries of Sivan (Guangzhou) Medical Technology Co., Ltd., (思研 (廣州) 醫療科技有限公司), all incorporated in the PRC:
- (a) Bixun (Guangzhou) Medical Technology Co., Ltd. (比遜 (廣州) 醫療科技有限公司);
- (b) Guangzhou Xiaoying Technology Co., Ltd. (廣州曉影科技有限公司); and
- (c) Bixun (Shanghai) Medical Technology Co., Ltd. (比遜 (上海) 醫療科技有限公司).
- (d) Ningbo Bixun Business Consulting Co., Ltd. (寧波比遜商務諮詢有限公司).
8. As of the Latest Practicable Date, Wise Approach held the Shares on trust for Ark Trust, the trustee of the Mission United Trust; Creative Pioneer held the Shares on trust for Lighthouse Trust, the trustee of the Sail Far Trust.
9. As of the Latest Practicable Date, Tencent Group Entities included Tencent Mobility and TPP Follow-on, which held approximately 22.34% and 5.42% of our total issued Shares respectively.
10. As of the Latest Practicable Date, Distribution Transferees included Impressa Fund III Limited Partnership, Eight Roads Investments, ERVC Healthcare Advisors IV L.P., Asia Partners III L.P., and F-Prime Capital Partners Healthcare Advisors Fund IV LP, which held approximately 3.95%, 3.82%, 0.04%, 0.04%, and 0.02% of our total issued Shares respectively.
11. As of the Latest Practicable Date, Distribution Shareholders included Asia Ventures, ERVC Healthcare and F-Prime Capital, which held approximately 1.98%, 1.69% and 1.57% of our total issued Shares respectively.
12. As of the Latest Practicable Date, Other Pre-IPO Investors included:
- (a) JenCap RX Partners and JenCap RX, which held approximately 3.65% and 3.40% of our total issued Shares respectively;
- (b) ZWC MB Investment Limited, which held approximately 4.25% of our total issued Shares;
- (c) IDG China Venture and IDG China V, which held approximately 2.93% and 0.17% of our total issued Shares respectively;
- (d) CCEIF Bigdata I, which held approximately 2.99% of our total issued Shares;
- (e) Wu Capital Limited, which held approximately 2.97% of our total issued Shares;
- (f) Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P., which held approximately 1.48% and 0.22% of our total issued Shares respectively;
- (g) FOREBRIGHT VISION LIMITED, which held approximately 1.57% of our total issued Shares;
- (h) INNOVAC INTERNATIONAL LIMITED, which held approximately 1.07% of our total issued Shares;
- (i) Suzhou Yuan Kang Ding Xiang Investment Management Partnership (Limited Partnership), which held approximately 1.06% of our total issued Shares;
- (j) Octagon Investments Master Fund LP and Octagon Private Opportunities Fund LP, which held approximately 0.44% and 0.44% of our total issued Shares respectively;
- (k) HBC Asia Healthcare Opportunities VIII LLC, which held approximately 0.89% of our total issued Shares;
- (l) Grand Bow Global Limited, which held approximately 0.69% of our total issued Shares;
- (m) 3W Healthcare Fund and 3W Global Fund, which held approximately 0.30% and 0.30% of our total issued Shares respectively;
- (n) New Smart, L.P., which held approximately 0.59% of our total issued Shares;
- (o) Sage Partners Alpha I L.P., which held approximately 0.30% of our total issued Shares;
- (p) HEALTHY TALENT LIMITED, which held approximately 0.30% of our total issued Shares;

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (g) Fortune Holdings Investment (H.K.) Limited, which held approximately 0.26% of our total issued Shares;
- (f) TAMHECAP LIMITED, which held approximately 0.08% of our total issued Shares; and
- (s) Mercury Investment Holdings Limited, which held approximately 0.04% of our total issued Shares.

13. As of the Latest Practicable Date, Other Shareholders included:

- (a) Vision Launchpad Holdings Company Limited, which held approximately 3.19% of our total issued Shares;
- (b) Mission Harvest Co., Ltd., which held approximately 0.93% of our total issued Shares;
- (c) Bacta Holdings Limited, which held approximately 0.85% of our total issued Shares;
- (d) Ariel Z Healthcare Co., Ltd., which held approximately 0.80% of our total issued Shares;
- (e) Rosa Care Investment Co., Limited, which held approximately 0.64% of our total issued Shares;
- (f) Captain Seam Investment Co., Limited, which held approximately 0.42% of our total issued Shares;
- (g) Robert International Holdings Limited, which held approximately 0.11% of our total issued Shares; and
- (h) Jun An Healthcare Co., Limited, which held approximately 0.11% of our total issued Shares.

14. As confirmed by our Directors, save as disclosed in "Pre-IPO Investment" in this section and "Substantial Shareholders" in this prospectus, as of the Latest Practicable Date, our Shareholders were independent from each other.

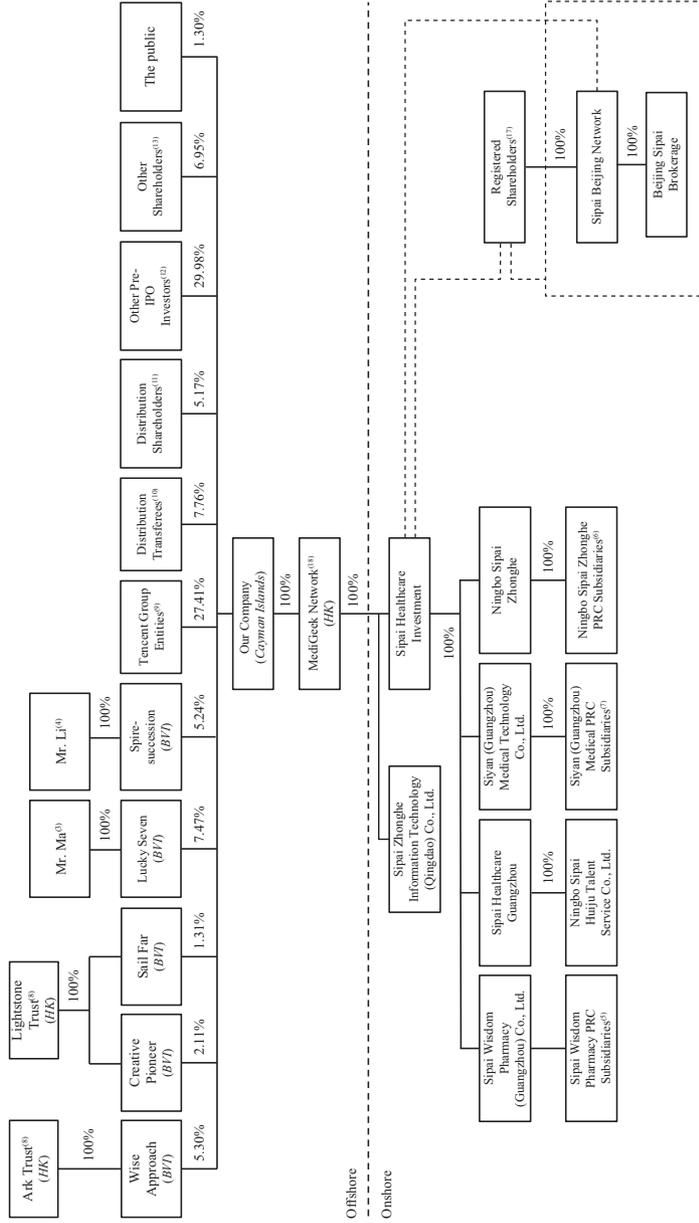
15. Percentages shown as totals in the chart may not be the arithmetic aggregation of the figures shown in the notes due to rounding adjustment.

16. The Registered Shareholders are our Founders, the other previous individual shareholders of Lucky Seven (namely, LI Dayong, ZHANG Hongdan, LI Ran, LIU Wei and ZONG Ze) and several individual investors of our Company at early stage (namely LIU Xiujiang, ZHANG Hong and YANG Donghao).

17. As of the Latest Practicable Date, Sipat Investment (Guangzhou) Co., Ltd. (慈源投資(廣州)有限公司) was wholly-owned by Sipat Guangzhou Investment.

**Our Corporate Structure Immediately Following Completion of the Global Offering**

The following chart sets forth our corporate structure immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option or any outstanding 2017 Plan Option):



Notes:  
 1-8 Please refer to the notes 1-8 to "Our Corporate Structure as of the Latest Practicable Date" in this section.  
 9 Tencent Group Entities include Tencent Mobility and TPP Follow-on, which will hold approximately 22.05% and 5.35% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option), respectively.  
 10 Distribution Transferees include Impresa Fund III Limited Partnership, Eight Roads Investments, ERVC Healthcare Advisors IV L.P., Asia Partners III L.P., and F-Prime Capital Partners Healthcare Advisors Fund IV L.P., which will hold approximately 3.89%, 3.77%, 0.04%, 0.04%, and 0.02% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option), respectively.  
 11 Distribution Shareholders include Asia Ventures, ERVC Healthcare and F-Prime Capital, which will hold approximately 1.95%, 1.67% and 1.55% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option), respectively.  
 12 Other Pre-IPO investors include:  
 (a) JenCap RX Partners and JenCap RX, which will hold approximately 3.60% and 3.35% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option), respectively;  
 (b) ZVC MB Investment Limited, which will hold approximately 4.19% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);  
 (c) IDG China Venture and IDG China V, which will hold approximately 2.89% and 0.16% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option), respectively;  
 (d) CCEIF Bigdata I, which will hold approximately 2.95% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);  
 (e) Wu Capital Limited, which will hold approximately 2.93% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);  
 (f) Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P., which will hold approximately 1.46% and 0.22% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option), respectively;  
 (g) FOREBRIGHT VISION LIMITED, which will hold approximately 1.55% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);

# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (h) INNOVAC INTERNATIONAL LIMITED, which will hold approximately 1.05% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);
- (i) Suzhou Yuan Kang Ding Xiang Investment Management Partnership (Limited Partnership), which will hold approximately 1.05% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);
- (j) Octagon Investments Master Fund LP and Octagon Private Opportunities Fund LP, which will hold approximately 0.44% and 0.44% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option), respectively;
- (k) HBC Asia Healthcare Opportunities VIII LLC, which will hold approximately 0.88% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);
- (l) Grand Bow Global Limited, which will hold approximately 0.68% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);
- (m) 3W Healthcare Fund and 3W Global Fund, which will hold approximately 0.29% and 0.29% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option), respectively;
- (n) New Smart, L.P., which will hold approximately 0.59% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);
- (o) Sage Partners Alpha 1 L.P., which will hold approximately 0.29% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);
- (p) HEALTHY TALENT LIMITED, which will hold approximately 0.29% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);
- (q) Fortune Holdings Investment (H.K.) Limited, which will hold approximately 0.26% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);
- (r) TAIHECAP LIMITED, which will hold approximately 0.08% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option); and
- (s) Mercury Investment Holdings Limited, which will hold approximately 0.04% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option).
- 13 Other Shareholders include:
- (a) Vision Launchpad Holdings Company Limited, which will hold approximately 3.15% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);
- (b) Mission Harvest Co., Ltd., which will hold approximately 0.92% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);
- (c) Baeta Holdings Limited, which will hold approximately 0.84% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);
- (d) Atrial Z Healthcare Co., Ltd., which will hold approximately 0.79% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);
- (e) Rosa Care Investment Co., Limited, which will hold approximately 0.63% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);
- (f) Captain Seat Investment Co., Limited, which will hold approximately 0.42% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);
- (g) Robert International Holdings Limited, which will hold approximately 0.10% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option); and
- (h) Jun An Healthcare Co., Limited, which will hold approximately 0.10% of our total issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option);
- 14 As confirmed by our Directors, save as disclosed in "Pre-IPO Investment" in this section and "Substantial Shareholders" in this prospectus, as of the Latest Practicable Date, our Shareholders were independent from each other.
- 15 To the best of our knowledge, except for the Tencent Group Entities, Distribution Shareholders and Distribution Transferees, the other Pre-IPO Investors will not become our core connected persons (as defined under the Listing Rules) upon the completion of the Global Offering (assuming neither the Over-allotment Option nor any outstanding 2017 Pan Option is exercised) and the Shares held by them will be counted towards the public.
- 16 Percentages shown as totals in the chart may not be the arithmetic aggregation of the figures shown in the notes as due to rounding adjustment.
- 17 The Registered Shareholders are our Founders, the other previous individual shareholders of Lucky Seven (namely, LI Deyong, ZHANG Hongdan, LI Ran, LUO Wei and ZONG Ze) and several individual investors of our Company at early stage (namely LIU Xunjiang, ZHANG Hong and YANG Donghao).
- 18 As of the Latest Practicable Date, Sipai Investment (Guangzhou) Co., Ltd. (慈源投资(广州)有限公司) ("Sipai Guangzhou Investment") was wholly-owned by MedGeek Network and Sipai Zhonghe (Guangzhou) Technology Co., Ltd. (慈源联合(广州)技术有限公司) was wholly-owned by Sipai Guangzhou Investment.

## OVERVIEW

Our Mission: Leading the digital transformation of healthcare to bring quality and accessible care to a large population.

Healthcare impacts every Chinese. The healthcare system in China has evolved to serve the basic needs of over 1.3 billion people. Nonetheless, the complex system is ridden with efficiency issues, and access to quality care is not guaranteed. Healthcare providers also struggle to meet the increasing demand for care, driven by demographic and epidemiological shifts.

We aspire to lead the digital transformation of China’s healthcare industry. As our name “Medbanks” suggests, we started our journey by building a robust “bank” of digital solutions and data insights, as well as strong operational capabilities, to support more participants in the healthcare ecosystem. Our journey will ultimately lead us to create an integrated health management network that will bring quality and accessible care to a large population.

We believe, by delivering clear values and serving and connecting the stakeholders in China’s healthcare system, including patients, doctors, medical institutions, pharmaceutical companies and payers, we build deep and trusting relationships that can be transformative to the industry landscape.

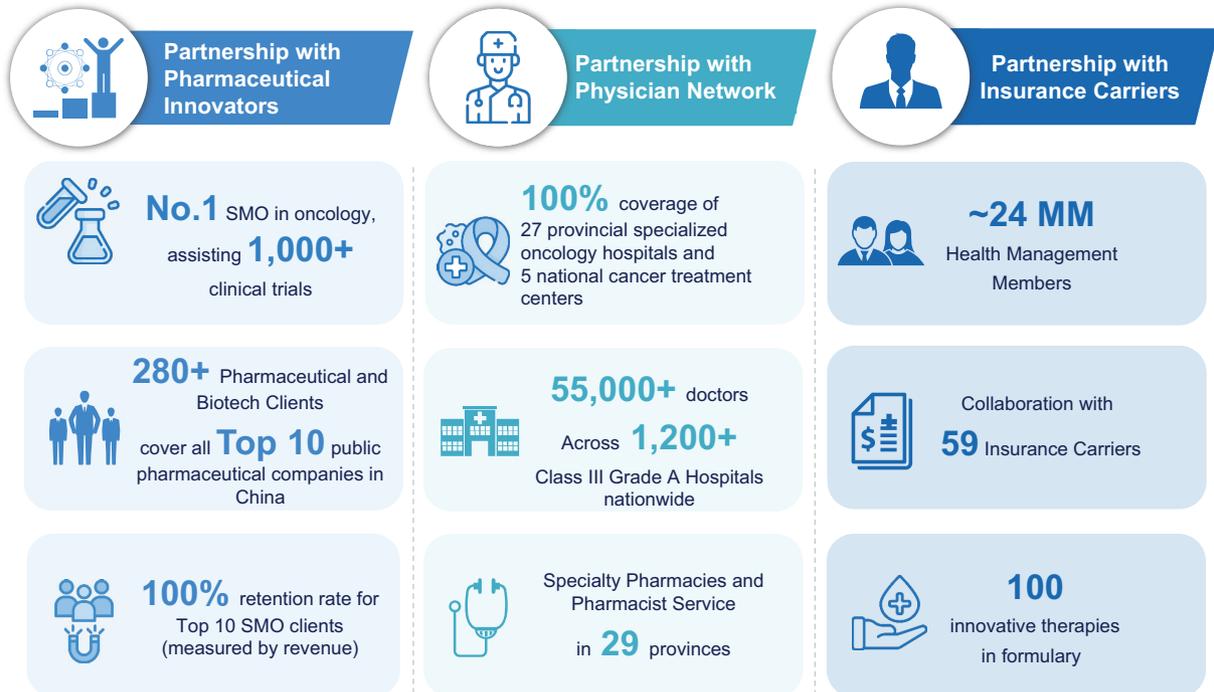
## Who We Are

We connect and deliver clear values to patients, doctors, medical institutions, pharmaceutical companies and payers across China’s healthcare system through our robust technology platform and data-enabled operational capabilities. We currently run three business lines, including Specialty Pharmacy Business, Physician Research Assistance, and Health Insurance Services. Our Specialty Pharmacy Business operates the largest privately owned specialty pharmacy, and our Physician Research Assistance runs the largest oncology site management organization (“SMO”), both measured by 2021 revenue. As of June 30, 2022, our Health Insurance Services served approximately 23.9 million members enrolled in our health insurance plans through our health service provider network connecting hospitals, general practitioners (“GPs”) and specialists in over 150 major cities across China.



## Our Achievements

Since founding our Company in 2014, we have been growing with China’s healthcare reform. We partner with pharmaceutical innovators, doctors and hospitals, and insurance carriers, empowering them to provide better healthcare and more comprehensive financial support to Chinese people.



Note: All statistics as of June 30, 2022

## Our Value Propositions

### Value Propositions to Our Members and Patients

- *Access to Health Management:* We provide preventative care services, such as physical examination and general practice, to help our members identify any early signals for health issues so that critical diseases are more likely to be prevented or cured at an early stage. Once a member is diagnosed with critical diseases, we provide him access to over 55,000 doctors to receive efficient and effective treatment, particularly for cancers. Our health service provider network allows our members to locate the right medical professional for a precise treatment in an efficient manner.
- *Access to Innovative Drugs and Pharmacist Services:* Thanks to our deep collaboration with pharmaceutical companies, we have the access to innovative drugs and can provide patients advanced medicines for the treatment of oncology and other critical diseases. Our SMO business provides opportunities for patients to participate in clinical trials for innovative drugs. In addition, our professional pharmacist service provides our members access to medication guidance and AE consultation. Meanwhile, we conduct follow-up assessment to ensure medication compliance, enhancing the efficacy of treatment paradigm to the extent possible.
- *Flexible Payment Options:* 76 of our specialty pharmacies are designated pharmacies for social medical insurance, accounting for approximately 74% of all our specialty pharmacies. In addition, 47 of our specialty pharmacies have obtained the social medical insurance qualification for major diseases (“大病醫保雙通道資質”) from local health security administrations, allowing patients to

reimburse their expenses for medicines that are previously only covered when purchased at public hospitals. Additionally, we offer diversified health insurance plans to our members, from supplemental insurance products for basic medical insurance, tailored products for specific diseases to premium products with extensive coverage.

#### ***Value Propositions to Doctors***

- *Ease of Patient Management:* We see ourselves as assistants to doctors. Our Health Insurance Services offers members medical navigation assistance, and our Specialty Pharmacy Business service offers patients post-hospital medication management, follow-up assessment and AE consultation. These offerings significantly improve the efficiency and productivity of doctors in their outpatient and inpatient practices.
- *Efficiency in Research:* We assist physicians on various non-clinical matters to enhance the overall efficiency and compliance of clinical trials. Meanwhile, we help physicians participate in clinical trials of innovative drugs to stay at the forefront of medical research.

#### ***Value Propositions to Pharmaceutical Companies***

- *Acceleration of Drug Development and Commercialization:* Leveraging our medical expertise and data insights in oncology and other critical diseases, our SMO service assists pharmaceutical companies in clinical trial site selection and participant enrollment, effectively expediting their drug development and commercialization.
- *Market Access:* Serving patients in treatment at leading hospitals, especially oncology hospitals, our nationwide specialty pharmacy network assists pharmaceutical companies to launch new products and reach the market efficiently.
- *Patient Management:* Through our nationwide specialty pharmacy network and health service provider network, pharmaceutical companies are able to deliver effective patient management service, particularly AE consultation required for specialty medicines.

#### ***Value Propositions to Insurance Carriers***

- *Tailored Product Co-development:* Leveraging our proprietary data insights, we co-developed products with insurance carriers to better meet consumers' unique needs. For example, we have launched Hui Min Insurance in one province and 16 major cities in China, each of which plans were designed according to the local demographics.
- *Efficient Cost Management:* Our Health Insurance Services offers pre-hospital navigation and post-hospital support to our members. The service helps our members select the appropriate hospital, specialist and medication while saving their out-of-pocket spending and the insurance carriers' claim spending on medical cost.

#### **Our Competitive Advantages**

Our three business lines, Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services, are highly synergistic. Our Specialty Pharmacy Business and Physician Research Assistance businesses enable us to have an unparalleled understanding of innovative drugs and allow doctors in our Health Insurance Services to stay at the forefront of treatment options. Leveraging our extensive health service provider network and deep understanding of physicians' particular needs in scientific research, we assist pharmaceutical companies on site selection and participant enrollment.



---

## BUSINESS

---

Referrals from our health service provider network served by our Physician Research Assistance and Health Insurance Services are an important source of patients for our specialty pharmacies in Specialty Pharmacy Business line. Our rich medication selection offers patients advanced treatment options, accompanied by our professional pharmacist service that drives better medication adherence and enhances treatment paradigm efficacy. Lastly, our health insurance plans offer additional protection to members when they face critical diseases, such as cancer, while offering growth opportunities to our commercial insurance partners.

Moreover, each of our three business lines has its competitive advantages, leveraging which we believe we will further expand our business in the future.

*Specialty Pharmacy Business.* For our specialty pharmacy business, we compete with leading pharmacy service providers and differentiate from them mainly in terms of product offering and pharmacist service, which lead to our unique business model that we believe has strong competitive advantages. Specifically, our product offering focuses on specialty medicines, including 320 innovative oncology drugs and 231 innovative drugs for the treatment of other critical diseases, as of the Latest Practicable Date. Comparatively, one of our competitors, Company 1D (as disclosed in the “Industry Overview” section), which is a nationwide offline + online specialty pharmacy, offers 150 to 200 innovative drugs, among which 60 to 80 are innovative oncology drugs, according to CIC. As cancer is increasingly prevalent in China, the demand for innovative oncology drugs will continue to rise, and our product offering is well positioned to capture the market growth trend. Secondly, our pharmacist service differs from that offered by our peers, as we see follow-up assessment as a key component of our professional services for patients taking specialty medicines. Our pharmacists conduct routine follow-up assessments for patients, which help us to attract and retain customers. Comparatively, Company 1D does not provide routine follow-up assessments for patients taking specialty medicines, according to CIC. From similar perspectives, our specialty pharmacy business model also differs significantly from that of O2O pharmacy platforms, which to a large extent focuses on OTC and prescription medicines targeting common diseases, and healthcare products, and emphasizes their competitiveness on convenience in placing orders, densely distributed offline pharmacy network and short delivery time. According to CIC, one of the leading O2O pharmacy platforms in China, a Beijing-based digital medical company founded in 2014 that provides fast medicine delivery, online pharmacy services and online medical consultation services and has been listed on the Hong Kong Stock Exchange, currently offers less than 50 specialty medicines, among which less than 10 are innovative oncology drugs. In addition, pharmacist service provided by the aforementioned O2O pharmacy platform focuses on general medical and health consultation, and prescription renewal for patients taking prescription medicines, which significantly differs from our pharmacist service targeting specialty medicines. Moreover, with respect to its limited product offering of specialty medicines, the aforementioned O2O pharmacy platform does not provide routine follow-up assessments for patients taking specialty medicines either.

*Physician Research Assistance Business.* For our SMO business, we ranked first in oncology SMO market in China, as measured by revenue in 2021, with a market share of approximately 5.5%. According to CIC, in 2021, oncology drugs accounted for over 60% of the specialty medicine market in China, and newly registered clinical trials for oncology drugs accounted for over 40% of all newly registered clinical trials for innovative drugs. Clinical trials for oncology drugs are generally more complicated, because the trial design is more complex, the trial cycle is longer, the participants’ course of disease is complicated, more inspection means are used, various adverse events (AEs) are involved, and participants may have other diseases such as high blood pressure and diabetes, therefore medicines targeting such other diseases shall be taken at the same time with the oncology drugs. In this regard, our experience and expertise in oncology SMO service will continue to benefit us in our involvement

in more clinical trials for oncology drugs, which will have tremendous market opportunities in the near future. In addition, as we compete mostly with the SMO arm of CRO companies including ClinPlus, Company 1A, Company 1B and Company 1C as disclosed in the “Industry Overview” section, our focus on serving physicians avoids potential conflict of interests, which exists for CRO companies that also offer SMO service since their CRAs, whose roles are mainly to monitor and investigate physicians’ activities in clinical trials, and their CRCs, whose roles are to assist physicians in clinical trials, are the employees of the same employer. As we only provide SMO service, we face no such conflict of interests.

*Health Insurance Services Business.* For our health insurance service business, we have strong capabilities to co-design and co-develop specialized health insurance plans, leveraging our actuarial capabilities as well as our data insight generated from our Specialty Pharmacy Business and Physician Research Assistance business lines. Our nationwide footprint of specialty pharmacy stores and professional pharmacist follow-up services targeting patients taking innovative drugs, and our expertise and experience in assisting physicians in nationwide multi-site clinical trials on innovative drugs particularly oncology drugs, allow us to build up our data insight with respect to the local demographics and patient demand, which empower us to tailor the terms and coverages of our health insurance plans, including Hui Min Insurance and Enterprise Health Plans, to better meet consumers’ unique needs for insurance protection and health management services. As a result, our health insurance member base grew quickly since the inception of our Health Insurance Services business, which contributed to the significant increase of the premium we collected on behalf of insurance carriers. Consequentially, we are able to attract more market-leading insurance carriers and turn them into our customers. Moreover, unlike conventional insurance brokerage companies such as Fanhua (FANH. Nasdaq) and Huize (HUIZ. Nasdaq), we have established a comprehensive health service provider network connecting our members to medical institutions, specialists, GPs and health examination institutions, differentiating us from our competitors that only provide insurance brokerage services.

## **Our Services**

### ***Specialty Pharmacy Business***

Our Specialty Pharmacy Business line consists of specialty pharmacy and value-add professional pharmacist service, focusing on specialty medicines for the treatment of oncology and other critical diseases. Patients can access innovative medications from us and receive pharmacist services, such as medication guidance, AE consultation, and medication delivery. We also built up the first and only nationwide specialty medicine management platform, providing follow-up assessment service under a unified system, differentiating us from our peers. 76 of our specialty pharmacies are designated pharmacies for social medical insurance, accounting for approximately 74% of all our specialty pharmacies. In addition, 47 of our specialty pharmacies have obtained the “dual-channel” qualification from local health security administrations, allowing patients to reimburse their expenses for medicines that are previously only covered when purchased at public hospitals. Our specialty pharmacies also provide direct billing with major insurance carriers, offering additional payment solutions to patients.

As of June 30, 2022, we operated 103 specialty pharmacies across all provincial administrative regions in mainland China except Xizang and Qinghai. Our pharmacies specialize in prescription medicines for cancer and other critical diseases. We provide a wide selection of specialty medicines, including innovative drugs newly introduced to the market. For example, we offer a full line of PD-1 drugs currently approved to commercialize in China. Our professional pharmacist services ensure patients to have better medication adherence and treatment efficacy.

### ***Physician Research Assistance***

In our Physician Research Assistance business line, we engage in SMO business to support pharmaceutical companies in their drug R&D process from phase I to phase IV clinical trials, and we also offer Real-World Study (“RWS”) service with respect to innovative drugs after their market launch. Currently, the SMO business contributes the majority of the Physician Research Assistance revenue. Our in-depth experience and professional expertise in assisting clinical trials for oncology drugs differentiate us from our peers. As of June 30, 2022, we had cumulatively served 289 clients across trial sites in 87 cities. Notably, we have achieved 100% coverage of 27 provincial specialized oncology hospitals and five national cancer treatment centers. As of June 30, 2022, we had completed 99 SMO projects, and 936 SMO projects were ongoing. We proudly serve all top ten public pharmaceutical companies in China that engage in R&D of innovative drugs. During the Track Record Period, we achieved a 100% client retention rate with respect to our top ten SMO clients, as measured by revenue during the same period of time. Over 95% of our SMO clients engage in R&D of oncology drugs and typically contract our services for three years.

### ***Health Insurance Services***

As of June 30, 2022, our health service provider network connected over 1,200 Class III Grade A hospitals, 55,000 doctors, and 500 physical examination institutions in over 150 major cities across China. Our robust health service provider network, together with our Specialty Pharmacy Business, provides our members with high quality health management services. As of June 30, 2022, we served approximately 23.9 million individual members and 876 enterprise clients.

Leveraging our data insights and actuarial capabilities, we have co-developed differentiated health insurance plans with major insurance carriers. Hui Min Insurance serves as a supplement to the national basic medical insurance, offering additional coverage for critical diseases, medical services, and specialty medicines at a price affordable to the general population. In addition, Enterprise Health Plans provide a more comprehensive and advanced protection to employers and their employees, offering flexible quality health and disease management services.

### **Our Market Opportunity**

The healthcare industry is an important part of China’s national economy. China’s healthcare expenditure is massive and growing steadily, from RMB4,097.5 billion in 2015 to RMB8,054.0 billion in 2021, at a CAGR of 12.7%, and it is expected to further reach RMB17,734.4 billion in 2030, growing at a CAGR of 9.2% from 2021 to 2030, according to the CIC Report. Aging population, increasing prevalence of critical disease and changing healthcare payment landscape are the key growth drivers that propel the continuing development of China’s healthcare industry.

However, the following challenges impact the development of the China’s healthcare industry: (i) inefficient use of healthcare resource; (ii) unmet demand for innovative medical products and services; and (iii) underdeveloped commercial health payers. As such, SMO, specialty pharmacy, and commercial health insurance plan have emerged to address these complex challenges, which all create great growth opportunities.

Specialty Pharmacy Business coordinates the prescription flow and economic flow of medication among insurance carriers, pharmaceutical companies, medical institutions, and pharmacies to efficiently manage the spending on prescription medication, for both patients and payers. Specialty pharmacy is the main category of Specialty Pharmacy Business services in China. A specialty pharmacy is a provider of specialty medicines and pharmacist service to better manage patients taking

---

## BUSINESS

---

specialty medicines, and to better procure, store and dispense specialty medicines. According to the CIC Report, China's specialty medicine market experienced a steady growth in the past years, increasing from RMB147.0 billion in 2015 to RMB304.8 billion in 2021, at a CAGR of 12.9%. Notably, oncology specialty medicines represented the largest specialty medicine market in China in 2021, accounting for 63.5% of the total market size. It is expected that the specialty medicine market in China will further reach RMB1,286.5 billion in 2030, at a CAGR of 17.4% from 2021 to 2030. Particularly, the proportion of out-of-hospital specialty medicine increased from 14.0% in 2015 to 23.7% in 2021, and is expected to further increase to 47.3% in 2030, indicating a huge growth potential of out-of-hospital specialty pharmacy.

An SMO is an organization that provides specialized service to clinical trials, which reduces the investigator's non-clinical workload and improves the overall efficiency and compliance of clinical trials. According to the CIC Report, the market size of SMO service in China increased from RMB1.1 billion in 2015 to RMB6.9 billion in 2021 at a CAGR of 35.3%, and is expected to further reach RMB35.0 billion in 2030 at a CAGR of 19.8% from 2021 to 2030. Increasing investment in drug R&D and stricter compliance requirements for clinical trials are likely to support the growth of the SMO market in China. Notably, the oncology SMO market is expected to account for approximately 63.7% to 67.8% of the overall SMO market size from 2021 to 2030.

China's multi-tiered health insurance system is constructed on the basis of national basic medical insurance, and supplemented by commercial health insurance, medical relief systems and charity medical donations. As of December 31, 2021, China's national basic medical insurance enrolled over 1.3 billion people, accounting for 96.6% of the total population. In 2021, China's national basic medical insurance expenditure reached RMB2,401.1 billion, and the individual medical expense reached RMB2,202.5 billion, accounting for 42.8% and 39.3% of the total medical expense, respectively. Contrary to the extensive coverage of the national basic medical insurance, commercial health insurance claim spending accounted for only 7.3% of the total medical expense in China in 2021. In the future, the national basic medical insurance will continue to provide a fundamental coverage for the broadest population, while the commercial health insurance is expected to function as an increasingly important payment solution for medical expenditure especially on critical diseases, indicating an urgent need for establishing a multi-tiered health insurance system to serve different groups of people. The market size of commercial health insurance in China increased from RMB241.0 billion in 2015 to RMB880.4 billion in 2021, and is expected to further reach RMB3,873.1 billion in 2030, in terms of premium.

## BUSINESS

### Our Results

Our total revenues increased by 159.8% from RMB1,039.0 million in 2019 to RMB2,699.6 million in 2020, and further increased by 28.7% to RMB3,473.9 million in 2021. For the six months ended June 30, 2022, we generated revenue of RMB1,887.7 million, representing increase of 21.8% from RMB1,550.0 million for the six months ended June 30, 2021. In 2019, 2020, 2021 and the six months ended June 30, 2022, we had loss before tax for the year/period of RMB596.0 million, RMB1,040.9 million, RMB3,747.7 million and RMB344.4 million, respectively. Excluding the impact of (i) fair value changes of convertible redeemable preferred shares, (ii) share-based payment compensation, (iii) listing expenses, and (iv) transaction cost for the issue of the Company's convertible redeemable preferred shares, our adjusted loss (non-IFRS measure) was RMB254.2 million, RMB258.6 million, RMB365.1 million and RMB143.1 million for 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. The following table sets forth the revenue and gross margin of our three revenue streams for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	Revenue	Gross margin	Revenue	Gross margin	Revenue	Gross margin	Revenue	Gross margin	Revenue	Gross margin
	(RMB in thousands)						(unaudited)			
Specialty Pharmacy										
Business	863,600	5.6%	2,482,006	5.5%	3,136,484	5.9%	1,407,134	6.0%	1,646,388	5.4%
Physician Research										
Assistance	173,195	19.1%	185,652	21.2%	244,857	18.3%	102,133	13.4%	149,154	17.7%
Health Insurance										
Services	2,216	39.5%	31,989	36.5%	92,589	57.4%	40,777	49.4%	92,110	67.0%
<b>Total</b>	<b>1,039,011</b>	<b>7.9%</b>	<b>2,699,647</b>	<b>6.9%</b>	<b>3,473,930</b>	<b>8.2%</b>	<b>1,550,044</b>	<b>7.6%</b>	<b>1,887,652</b>	<b>9.4%</b>

### OUR STRENGTHS

#### *Integrated Health Management Network to Transform Healthcare Industry in China*

We are an operator of health management network in China. With a deep understanding of China's healthcare industry's pain points, we connect our Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services solutions to build an integrated health management network that addresses each stakeholder's long-standing challenges and subsequently transforms China's healthcare industry.

For Specialty Pharmacy Business, we are the largest privately owned specialty pharmacy network in terms of revenue in 2021. As of June 30, 2022, we operated 103 specialty pharmacies across all provincial administrative regions in mainland China except Xizang and Qinghai. In addition to access to specialty medicines, patients can also access professional pharmacist services from medication guidance, follow-up assessment, to AE consultation.

For Physician Research Assistance, our SMO rank second, first and first for oncology drug R&D, measured by revenue in 2019, 2020 and 2021, respectively. As of June 30, 2022, we covered over 4,700 principal investigators ("PIs") and 460 hospitals across China, and served 289 clients including all top ten public pharmaceutical companies in China that engage in R&D for innovative drugs.

For Health Insurance Services, our well recognized health service provider network connects over 1,200 Class III Grade A hospitals, 55,000 doctors, and 500 physical examination institutions in over

---

## BUSINESS

---

150 major cities across China, providing full-cycle and high quality health management services to our members. We are also the trusted partner to insurance carriers with strong product development capability. As of June 30, 2022, we had launched Hui Min Insurance in one province and 16 major cities in China, enrolling 23.7 million individual members, while our Enterprise Health Plans had served 876 enterprise clients.

### *Symbiotic Self-reinforcing Ecosystem with Strong Synergies*

Committed to enabling stakeholders of the healthcare industry, we have built a self-reinforcing ecosystem around our partners and three highly synergistic business lines.

Our Specialty Pharmacy Business and Physician Research Assistance businesses enable us to have an unparalleled understanding of innovative drugs and allow doctors in our Health Insurance Services to stay at the forefront of treatment options. Leveraging our extensive health service provider network and deep understanding of physicians' particular needs in scientific research, we assist pharmaceutical companies on site selection and participant enrollment. Referrals from our health service provider network served by our Physician Research Assistance and Health Insurance Services are an important source of patients to our Specialty Pharmacy Business, including our specialty pharmacies. Our rich medication selection offers patients advanced treatment options, accompanied by our professional pharmacist service that drives better medication adherence and enhances treatment paradigm efficacy. Lastly, our health insurance plans offer additional protection to members when they face critical diseases, such as cancer, while offering growth opportunities to our commercial insurance partners.

### *Enabler to Industry Participants, Creating a Competitive Advantage Hard to Emulate*

Our success is attributable to our profound industry knowledge and in-depth understanding of the unmet demands of key industry participants. We well understand the challenges Chinese doctors face. For instance, they want to be at the forefront of scientific development, but they do not enjoy the support from study assistants as their peers in developed countries do. Meanwhile, because of the large population in China and the relative scarcity of healthcare professionals, doctors in China have devoted most of their time to daily outpatient care and inpatient procedures. They do not have the support infrastructure to manage patients outside the hospital either. Thus, to empower doctors, we provide coordination and execution assistance in clinical studies and patient management services in daily clinical practice to free doctors from non-medical work. With our services, doctors can conduct scientific research and fulfill their daily medical work more efficiently and at higher productivity.

Efficiency in clinic trial is crucial to R&D and commercialization of any innovative drug. China's vast geographic area and diversity in demographics create significant challenges to run clinical trials in terms of site selection and participant enrollment. We assist pharmaceutical companies on site selection and coordinate for participant enrollment, speeding up the clinical trials and improving the overall efficiency. In addition, through our Specialty Pharmacy Business, pharmaceutical companies can fulfill its after-sales service, as well as benefit from our nationwide specialty pharmacy network that directly connect them to their end customers.

Leveraging our medical insights and health provider and specialty pharmacy network, we are able to co-develop differentiated health insurance plans with our insurance carrier partners, and provide the accompanying health management services. We can tailor products to different tiers of coverage or target specific diseases, allowing insurance carriers to adapt to the evolving market with diversified and competitive products.

Through long-term collaborations, we have fostered lasting trust and partnership with doctors, pharmaceutical companies, and insurance carriers. We believe such trust and partnership are unmatched competitive advantages that are difficult to emulate by our peers.

### ***Leading the Digital Transformation with Proprietary Data and Technology***

Technology is ingrained in our corporate culture. We believe the force of technology to transform the healthcare industry. Since our inception, we have been making significant efforts to build our technology infrastructure and develop data insights. By leveraging our data insights and the underlying technology infrastructure, we can quickly adapt our services to meet the evolving healthcare industry and consistently empower our ecosystem participants.

Our oncology database is a key component of our data infrastructure. It consists of 111 oncology database covering 28 varieties of cancers. Over 400,000 patients have benefited from this powerful database. Our database precisely records treatment received and health status in follow-up assessment of each patient, which makes it much easier and more efficient for doctors to track status of patients and help doctors diagnose, treat and form a long term management of each patient. Our in-house developed RWS system are helping doctors across 444 hospitals in their clinical trial and daily inpatient procedure and outpatient consultation. We have also established a unique system that integrates medication fulfillment and patient management functions. Against our data insights, we can also better design health insurance plans and have effectively improved loyalty of our Health Insurance Services members and reduced their healthcare cost.

Deep data insights into the healthcare industry is a core advantage of our business model. As our integrated health management network connects key participants in the industry, valuable healthcare data flow through our system, allowing us to extrapolate insights from our daily operations. Statistics, such as prescription patterns, medical practices and real-world clinical outcomes, enable us to continuously optimize our clinical assessment system, referral selection model, and insurance product design capability.

### ***Diverse Monetization Strategy Fueling Continued Growth***

Our synergistic business lines create diverse monetization opportunities. Currently, Specialty Pharmacy Business contributes more than 90% of our total revenue, and specialty pharmacy business generated the most Specialty Pharmacy Business revenue. As we expand our specialty pharmacy network and pharmacist service, revenue from Specialty Pharmacy Business is expected to grow rapidly. Our SMO, a part of the Physician Research Assistance business line, currently enjoys an industry-leading market share and delivers a high single-digit contribution to our topline. The thriving Specialty Pharmacy Business will grow together with the Physician Research Assistance business. In addition, the synergies among our business lines will generate substantial growth opportunities for the fledging Health Insurance Services business, which we believe will be a core growth engine for us in the future.

### ***Experienced Management Team with Unparalleled Industry Insight and Business Acumen***

Our management and core teams are industry veterans with extensive experience in the healthcare industry. They have a profound understanding of doctors, hospitals, pharmaceutical companies, and insurance carriers in China. They also deeply understand the challenges that China's healthcare industry faces. Leveraging their experience and knowledge, the management and core teams can navigate us through the ebb and flow in the industry. In particular, our chairman of the board of

directors and chief executive officer, Mr. Ma, has been in the healthcare industry for over 25 years, in charge of specialty medicine sales at leading global pharmaceutical companies, such as Bayer and Schering-Plough, before founding our Company. Our co-chief executive officer Mr. Li Ji has also been in China's healthcare industry for over 20 years, holding management positions at Bayer, Schering-Plough and Nova Medical in China.

## **OUR STRATEGIES**

We strive to transform China's healthcare industry by empowering doctors, pharmaceutical companies and insurance carriers through technology and data, ultimately delivering quality and accessible healthcare to all people in China. To achieve our goal, we intend to pursue the following strategies:

### ***Continue to Grow Our Symbiotic Ecosystem***

Our current three business lines are symbiotic and self-reinforcing, creating significant synergies. We plan to continue growing our symbiotic ecosystem and enhancing its synergies by deepening our connections with more healthcare industry participants and integrating them into our ecosystem.

- *Specialty Pharmacy Business.* We will direct more member traffic from Health Insurance Services to Specialty Pharmacy Business by offering our members premium medicine and pharmacist experience with more comprehensive medication options and better medication management.
- *Physician Research Assistance.* We will further enhance our Physician Research Assistance by expanding our doctor network leveraging Specialty Pharmacy Business and Health Insurance Services, which provide assistance to many specialists in patient management and referral network.
- *Health Insurance Services.* We will continue to enhance our Health Insurance Services offerings by leveraging Specialty Pharmacy Business and Physician Research Assistance services and offer access to more innovative medications.

We plan to offer a broader range of health products and services, integrate more participants across the healthcare value chain into our symbiotic ecosystem and create more substantial synergies. For example, in addition to specialty medicines, we plan to broaden our offerings to include medications for chronic diseases.

In addition, we will pursue strategic alliances, investment and/or acquisitions that are complementary to our business and in line with our strategies. Our potential targets primarily include (i) health-tech companies providing health management services including online medication consultation, drug delivery, health monitoring and guidance, and/or health-tech companies that collaborate with commercial insurance company to construct online service platforms and provide algorithm support; (ii) insurtech companies providing intelligent underwriting systems and automated claim processing solution and payer services; and (iii) other companies with complementary business lines synergetic to our business lines.

### ***Further Strengthen Our Capability to Serve Doctors***

Doctors are the core to our symbolic ecosystem. We will continue to strive to provide significant value to doctors by further strengthening our service capabilities in research solutions and health management. We will continue to leverage our data insights to further facilitate physicians in their scientific research, clinical trials, and medical practices. In addition, we intend to make it more efficient for doctors to manage patients by providing more comprehensive health management service



---

## BUSINESS

---

through our Specialty Pharmacy Business and Health Insurance Services. Finally, we aspire to enable doctors in our network to enhance their experience and expertise.

### ***Strengthen Our Technology Infrastructure and Data Insights***

We will continue to strengthen our technology infrastructure and develop data insights to adapt our service offerings with the latest developments in the healthcare industry, and continuously empower healthcare stakeholders. We will grow and train our infrastructure development team by recruiting professional software engineers and project managers and operation and maintenance personnels. We will continue to invest substantial resources in R&D to improve our technology infrastructure, develop new solutions that are complementary to existing ones and find ways to better serve pharmaceutical companies, patients, our plan members and enterprise clients. We will continue to utilize our proprietary pharmacy management system and nationwide patient management system to enhance the efficiency and effectiveness of our operations. We will also dig into health and medical statistics generated from our daily operations to continuously optimize the health management outcome for the patients and members we serve.

### ***Grow Specialty Pharmacy Business Service with Investment in Geographic Expansion, and Talent Recruitment and Retention***

As of June 30, 2022, we operated 103 specialty pharmacies in 68 cities across 29 provincial administrative regions in China. We plan to further expand the geographic coverage of our Specialty Pharmacy Business service across China, through establishing new pharmacies and acquiring existing pharmacies. In addition, as we strive to expand geographic coverage, we plan to open up a total of 25 specialty pharmacy stores from the fourth quarter of 2022 to 2024. We will also continue to invest in attracting more talents and retaining existing talents that would be sufficient for the growth of our Specialty Pharmacy Business service.

We believe there exists sufficient and strong demand for our specialty pharmacy business in those new cities that we plan to enter into. There are currently 4 tier-1 cities, 15 new tier-1 cities, 30 tier-2 cities and around 71 tier-3 cities in China, which are the main target cities to expand our geographic coverage. The population and cancer prevalence of these cities are shown in the table below:

<u>Cities</u>	<u>Population</u>	<u>Cancer prevalence</u>
Tier-1 cities . . . . .	83.0 million	~270 thousand
New tier-1 cities . . . . .	183.2 million	~590 thousand
Tier-2 cities . . . . .	215.0 million	~690 thousand
Tier-3 cities . . . . .	342.9 million	~1,100 thousand

According to the Health Statistical Year Book of China, the cancer prevalence rate in urban area is approximately 3.2%. Based on the larger population base and a large number of patients with cancers, there still exists huge demand for specialty drugs in the lower-tier cities and thus significant market opportunities for us to explore.

The main competitors that the Group is facing are still the leading private-owned competitors that operate nationwide, such as Company 1D and Company 1E disclosed in the “Industry Overview” section, as well as the state-owned specialty pharmacies that are owned by a few leading state-owned distribution companies. Also, for each specific region or city, there also exist small local brands with insignificant market share in the market.

Specifically on our expansion plan, we look to open about 30-40 specialty pharmacies and acquire about five stores from external operators each year from 2022 to 2026. Geographically we will be

actively seeking opportunities in cities such as Yangzhou, Shaoxing, and Quanzhou in the Eastern China; Luoyang, Xiangtan and Jiujiang in the Middle China; Mianyang, Panzihua and Zunyi in the Western China, and Qiqihar, Tieling and Jiamusi in the Northeast China.

In addition to geographic expansion, we will also continue to add medication product offered at our specialty pharmacies, into new disease areas such as chronic diseases, central nervous system, and nutrition and supportive care. This strategy goes hand in hand with our expansion of our Physician Research Assistance business beyond the current focus on clinical trials for innovative oncology drugs. We believe continuing leveraging the trust and recommendation we receive from doctors, we will likely efficiently win patients in new disease areas. For drugs indicated critical diseases such as central nervous system diseases, the main competitors are still specialty pharmacies operated by either leading privately owned companies or state-owned distributors. In addition to the leading specialty pharmacies that operate nationwide, there also exist regional specialty pharmacies participating in the competition in the local market of each specific province. For common prescription drugs, OTC drugs and nutrition products, potential competitors in the market also include the leading retail pharmacies operating nationwide or in specific regions, but most of these retail pharmacies do not offer high-value specialty drugs.

***Expand Geographically and Increase Service Offerings in Physician Research Assistance Business***

We plan to expand our site coverage in Physician Research Assistance business to about 120 cities till 2026, such as Wuxi, Chengde, Ganzhou, Changzhi and other cities of different sizes, so to reinforce our leading position in the SMO services. We consider that the geographic expansion plan is reasonable and feasible, because pharmaceutical companies show increasing trend to have more clinical trials in different cities. For example, the total number of clinical trials conducted by pharmaceutical companies in China increased from 1,453 in 2017 to 3,817 in 2021. We, as a site management service provider, should closely follow the steps of our customers (pharmaceutical companies) to increase presence in new cities.

In addition to geographic expansion, we also plan to extend our site management services to other disease areas, such as autoimmune diseases. We believe the expansion plan is feasible because clinical trials in those new disease areas usually happen in cities' key hospital(s), and we have already successfully covered those hospitals through oncology-related clinical trials. Having built a wide coverage on physicians and class III hospitals, it now only requires our well-established local execution teams to penetrate to a different department of the same hospital, which is not expected to be difficult as we have demonstrated our capability in the most complex disease area, cancers.

The competition landscape in these 120 cities is highly similar to the overall competitive landscape nationwide, as most clinical sites nationwide are concentrated in these cities. Leading SMO companies that operate nationwide are still the main competitors that we face, and the total market share of the top five SMO companies is estimated to account for 25-30% of the market in terms of revenue. In low-tier cities, there also exist a large number of small-sized regional SMO companies (with less than 100 CRCs) that only work at local clinical research sites, and the market share of each of these small-size companies is relatively insignificant in comparison with the leading competitors.

***Expand Health Insurance Services by Growing Health Service Provider Network and Offering Innovative Insurance Products Adaptive to Market Changes***

We will continue to expand our health service provider network by enhancing our connections with doctors and medical institutions. We intend to strengthen and expand our cooperation with hospitals,

---

## BUSINESS

---

clinics, and other medical institutions across China to elevate our health management service. In addition, we plan to connect and integrate more GPs and specialists into our health service provider network to enable our members to receive more efficient and effective treatment that they are unable to obtain through their local resources.

Furthermore, we will continue to develop our health insurance services to provide our members with more comprehensive and customized insurance products based on our data insights, medical know-how and health management capabilities. We plan to further enhance our cooperation with insurance carriers to co-develop and optimize innovative health insurance products to meet the diversified and growing healthcare coverage needs of our members.

Additionally, we will expand geographically and offer our insurance product to more cities. We will actively explore opportunities in mid-to-large cities nationwide that have population over 4 million, including principal capitals such as Shijiazhuang, tier-1 or new tier-1 cities such as Beijing and Hangzhou, as well as tier-3 cities such as Honghe. Our approach will remain to first closely study local demographics and patient demand, design products that can be supplementary to local medical insurance coverage, and actively seek collaboration with local governments or even win their endorsement for our products to facilitate marketing and promotion. These target cities are normally covered by national insurance carriers and in some cases also by online insurance service platforms, while many lacks competitors in this area or competing products that serve to supplement local medical insurance.

We expect to face competition from a mix of inhouse sales network of national insurance carriers, leading insurance brokers with national operation, such as Mingya, Datong and Fanhua, as well as middle-size regional brokers that operate within a specific province or city when promoting our health insurance products. Specifically in the cities named above, Beijing is dominated by two national leading insurance brokers Mingya and Datong, which takes a majority market share. It's a similar case with Hangzhou, but with several regional brokers such as Xinshan and Juantian also accounting for important shares of the market. In Shijiazhuang, a local broker, Mingyang, is the market leader with several national players closely following. Overall, the health insurance market in Shijiazhuang is less concentrated than tier-1 cities. We currently don't see fierce competition in Honghe, and consider commercial health insurance significantly underpenetrated there.

### ***Enhance Our Monetization Capability***

By leveraging our symbiotic ecosystem, our three business lines reinforce each other, which leads to diversified monetization opportunities. We will continue to enhance our monetization capabilities by unleashing the commercial potentials of our Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services. We aim to unleash the commercial potential of our Specialty Pharmacy Business service by achieving substantial cost savings through the use of proprietary systems. For Physician Research Assistance service, we will reinforce our leading position in the SMO service market. We believe our Health Insurance Services will become a core growth engine for us in the future, and we will continue to unleash its commercial potential by expanding our Health Insurance Services network to achieve sizable growth.

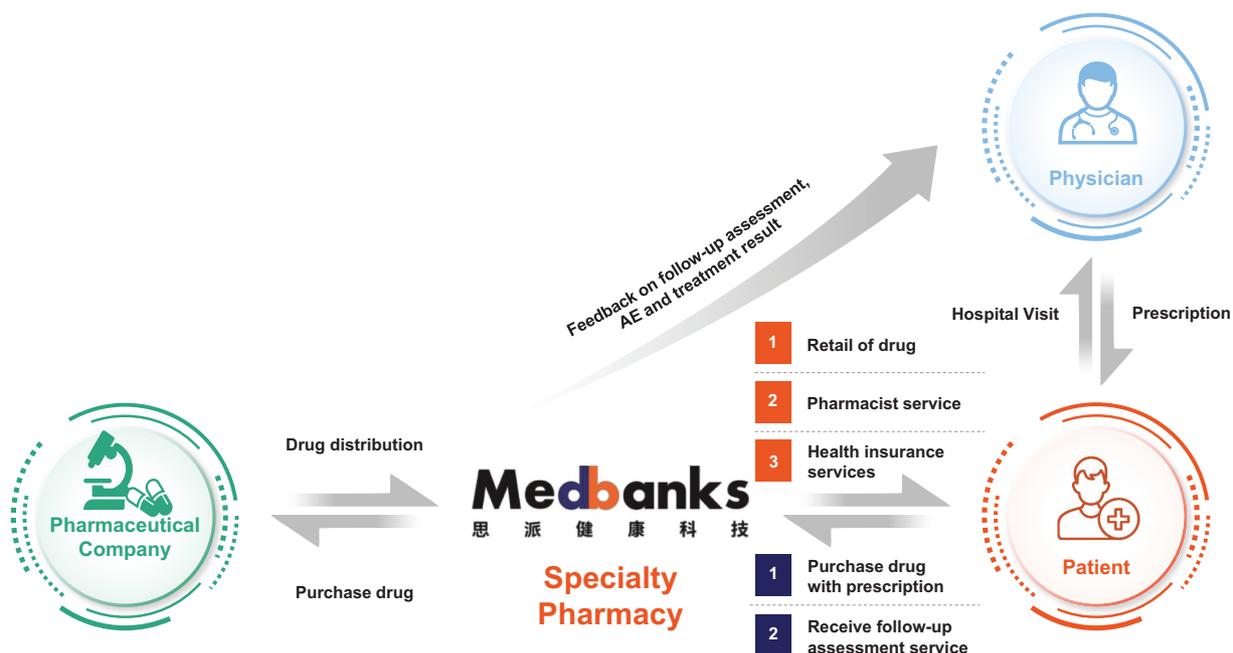
## **OUR SERVICES**

### **Specialty Pharmacy Business**

We provide specialty pharmacy and value-add professional pharmacist service in our Specialty Pharmacy Business line, focusing on specialty prescription drugs for the treatment of oncology and

## BUSINESS

other critical diseases. We operate offline specialty pharmacies across China, and provide pharmacist service not only in our pharmacy stores, but also through telephone calls. Particularly, we conduct follow-up assessment through telephone calls, whereby we do not need to visit patients on-site. Patients can access innovative medications from us, as our specialty pharmacies have a wide product offering, including 320 innovative drugs for the treatment of cancers and 231 innovative drugs for the treatment of other critical disease, as of the Latest Practicable Date. Particularly, our product offering covers substantially all of the innovative oncology drugs launched in China since 2010. Moreover, patients can also receive pharmacist services, such as medication guidance, AE consultation, and medication delivery from our specialty pharmacies. The diagram below illustrates the correlation and interaction among pharmaceutical companies, doctors and patients through our Specialty Pharmacy Business:



***Pharmacist Service***

Equipped with a well-established pharmacy network and licensed and in-house trained pharmacists, we offer professional and accessible pharmacist service to patients, including medication guidance, follow-up assessment, AE consultation, drug delivery, as well as patient education. The following diagram illustrates our pharmacist service cycle:

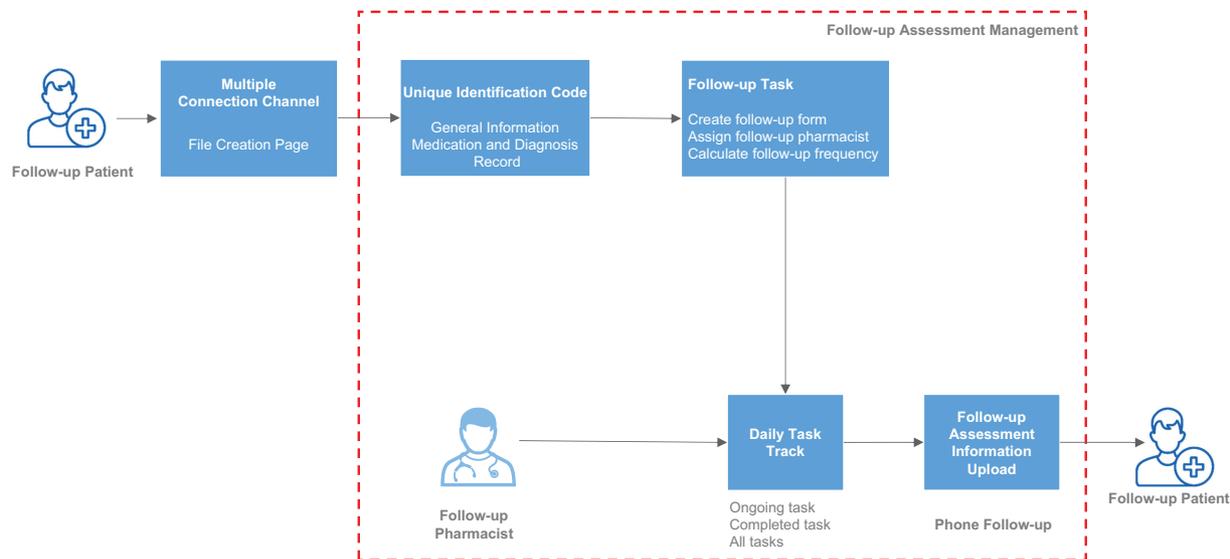


We accept prescriptions from doctors. When a patient submits his prescription, our pharmacists will verify such prescription's validity, accuracy and completeness. They also perform review in which they cross-check every prescription against the patient's submitted information for drug, disease and allergy reactions. We provide specialty medicines to patients strictly in accordance with their prescriptions, namely the particular medicine and its dosage as specified in the prescription. Our pharmacists do not recommend any medicines or medications to patients when providing pharmacist services.

We offer medication guidance and follow-up assessment for patients to help them better understand their symptoms and comply with medication guidance, thus achieving better treatment efficacy and cost efficiency. Pharmacist service is supplemental to doctors' medical practice. Pharmacists provide medication guidance after doctors prescribe the medication, such as proper and standardized use of medication, medication related precautions, and combination drug interactions. Doctors follow up and evaluate patients' treatment plans and post-treatment results and efficacy. Pharmacists identify special conditions (AE/SAE) early through follow-up, and give feedback to treating doctors, so as to promote standardized medication for patients.

## BUSINESS

A significant portion of our customers in Specialty Pharmacy Business are cancer patients. Due to the complexity and limited drug use experience of innovative oncology drugs, they are likely to experience AEs. Follow-up assessment is important to cancer patients using innovative medication, since it can identify the seriousness of AEs and the relevance between AEs and the medication in use, extend duration of treatment and improve efficacy of treatment plans. In addition, during the follow-up assessment, patients will be advised appropriate measures to deal with AEs, such as suspension of medication. We have an in-house pharmacist team to communicate the AEs with pharmaceutical companies, and our 24/7 consultation service line provides guidance to patient in AEs in a timely manner. The following diagram shows how our professional follow-up assessment system processes:



Note: the procedures within red dot line refer to those conducted by our system

The patient's basic information is entered into the system's file creation page after purchase of medication to create a medication record for, and assign a unique identification code to the patient. Based on the patient's location, medication and diagnosis record, the system automatically creates follow-up forms, assigns follow-up pharmacists and calculates the frequency of follow-up assessment, and generates a customized follow-up task for such patient.

The follow-up pharmacist views the daily tasks in the system, including ongoing tasks, completed tasks and all tasks, and can manually adjust the time of a follow-up task according to the actual situation. The pharmacist conducts follow-up assessment by telephone, answers questions in the process of medication, gives guidance on diet, nutrition, exercise and other lifestyle-related matters, and fills in information gathered during the follow-up assessment into the system to complete the current task. The system then generates the next follow-up task according to the follow-up plan or actual follow-up situation. Such cycle will continue until the follow-up assessment task is terminated due to death or disconnection of, or rejection by the patient.

## BUSINESS

We see professional follow-up assessment as a key component of our pharmacist service. The following table sets forth the average number of daily follow-up assessments we conducted during the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2019	2020	2021	2022
<b>Average number of daily follow-up assessments</b>				
Eastern China . . . . .	26	69	235	221
Southern China . . . . .	35	69	156	155
Western China . . . . .	53	85	149	197
Northern China . . . . .	42	115	251	203
<b>Total</b>	<b>156</b>	<b>338</b>	<b>791</b>	<b>776</b>

While prescription verification is required to be provided together with the sales of specialty medicines, other pharmacist services such as follow-up assessment, patient education and drug delivery are not. We are dedicated to introducing a wide variety of services to meet patients' increasing demand for more comprehensive pharmacist service. For example, we provide medication planning service to patients, and maintain sufficient inventory of medicines. We also periodically operate patient education programs through offline channels such as our specialty pharmacy stores, hosting specialists to present at our seminars.

We offer one-time or periodic drug delivery service by our in-house delivery team to guarantee the quality of drugs especially those require cold-chain transportation. Each of our pharmacies has assigned at least one of its employees to take charge in the drug delivery. After patients purchase medicines, upon their request, we will record the drug delivery information, including the recipient's name, address, phone number, medicines to be delivered and delivery time in our system, and conduct the drug delivery accordingly. Particularly, patients can designate the address of medical institutions as to where they prefer to receive the drugs. For example, if patients want to take infusion drugs at hospitals, outpatient departments or clinics, upon their requests, we can deliver the infusion drugs to them at the address of the medical institutions appointed by the patients, thus to bring them more convenience. We do not engage third-party delivery service providers for our drug delivery. Closely aligned with patient expectations, our pharmacist service helps us win the patients' trust and loyalty.

As advised by our PRC Legal Adviser, there is no PRC laws, regulations, or administrative rules nationwide that specifically set forth any requirements with respect to the delivery of infusion drugs excluding vaccines by pharmacies to patients, as of the Latest Practicable Date.

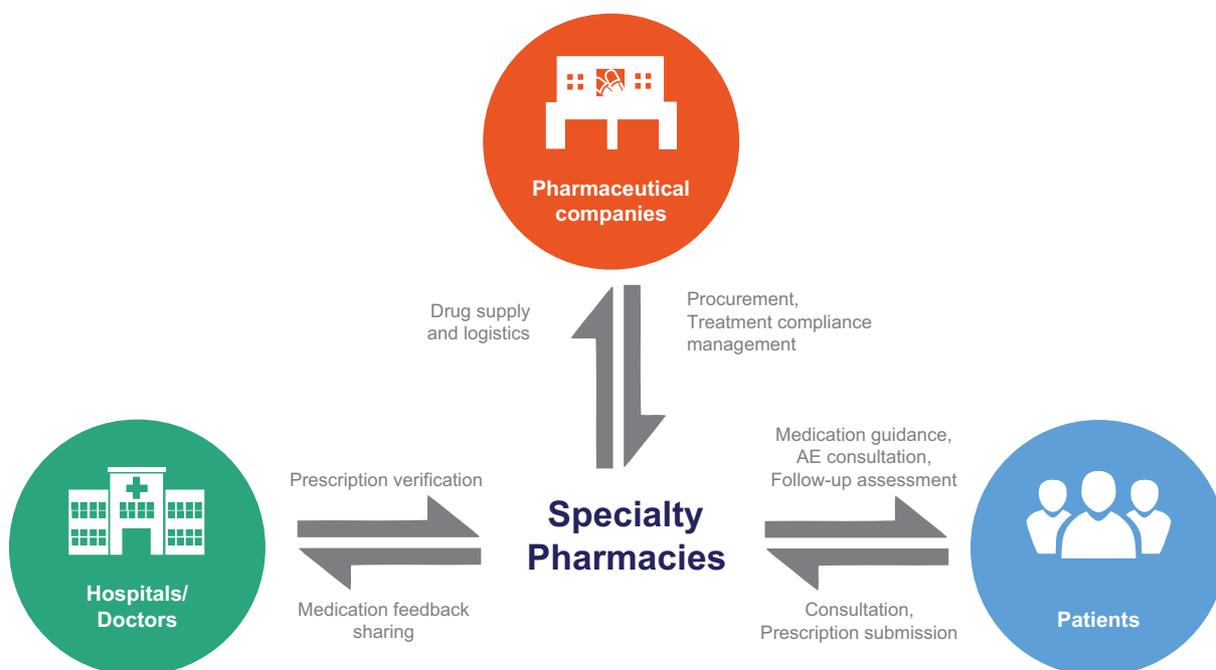
Our revenue from infusion drugs retail sales was RMB387.0 million in 2019, RMB955.1 million in 2020, RMB1,532.0 million in 2021, and RMB859.8 million in the six months ended June 30, 2022, representing 46.4%, 41.5%, 53.0% and 55.3% of our total revenue from medication retail business during the relevant period, respectively. Our revenue from non-infusion drugs (substantially oral form drugs) retail sales was RMB446.7 million in 2019, RMB1,345.8 million in 2020, RMB1,361.2 million in 2021, and RMB694.2 million in the six months ended June 30, 2022 representing 53.6%, 58.5%, 47.0% and 44.7% of our total revenue from medication retail business during the relevant period, respectively.

Our pharmacist service also helps us build a close partnership with pharmaceutical companies, differentiating us from traditional retail pharmacies. Through our professional pharmacist service, we conduct regular follow-up assessment, provide medication guidance, and serve as our patients' first

line of defense in an adverse event. In this regard, we are inherently capable of building up a robust database relating to the efficacy, drug reaction, side effects and AEs of each particular medicine. Our data insights developed from such “real-world evidence” allows pharmaceutical companies to improve their R&D capabilities further, especially for innovative drugs. In addition, attributable to our professional follow-up assessment service, patients served by our Specialty Pharmacy Business comply with medication guidance more strictly, which significantly enhances the efficacy of their treatment paradigms.

### ***Specialty Pharmacy***

Driven by pharmacy distribution policies such as “separation of dispensing from prescription” policy (醫藥分離政策) and the “zero markup” policy, we have expanded our specialty pharmacy business significantly since 2017. The following flowchart illustrate the operating model of our specialty pharmacies:



Compared with traditional distribution model in the pharmaceutical value chain, specialty pharmacies provide a more direct way to connect patients with specialty medicines they need. After obtaining prescriptions from doctors, patients are able to purchase specialty medicines from our specialty pharmacies. Our professional pharmacists at the meantime provide professional service during the treatment. We are equipped with a licensed pharmacist team and a sophisticated customer service team, which enable us to provide better patient experience, and offer professional consultation and drug delivery service for patients.



---

## BUSINESS

---

### *Geographic Coverage*

We operate a nationwide network of specialty pharmacies in China, covering 68 major cities in 29 provincial administrative regions across China. We mainly offer high-value and innovative prescription medicines to patients and are featured with pharmacist service. As of June 30, 2022, we had a specialty pharmacy network of 103 pharmacy stores in Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Shenyang and other major cities.



## BUSINESS

The number of our specialty pharmacy stores grew from 70 as of December 31, 2019, to 76 as of December 31, 2020, to 91 as of December 31, 2021, and further to 103 as of June 30, 2022. The following table sets forth the movement of the number of our specialty pharmacies for the periods indicated.

	For the year ended December 31,			For the six months ended June 30, 2022
	2019	2020	2021	
<b>Number of specialty pharmacies</b>				
As of the beginning of the periods indicated . . . . .	31	70	76	91
Built by ourselves . . . . .	30	7	10	9
Acquired from third parties . . . . .	9	2	8	3
Closed . . . . .	—	3	3	—
<b>As of the end of the periods indicated . . . . .</b>	<b><u>70</u></b>	<b><u>76</u></b>	<b><u>91</u></b>	<b><u>103</u></b>

The increase in the number of our specialty pharmacies during the Track Record Period was mainly attributable to the organic growth of our pharmacy network, through which we rapidly developed a deep understanding of the specialty pharmacy business. Notably, we built a significant proportion of our pharmacy stores by ourselves. Therefore, we are able to implement our pharmacist service under a unified standard across these pharmacy stores in a quick and efficient manner. On the other hand, we strategically acquired pharmacy stores from third parties after considering their location, customer base and “dual-channel” qualification, which allowed us to expand our pharmacy network faster. Pharmacies applying for the “dual-channel” qualification shall meet a series of standards and requirements which are stricter than those for pharmacies designated by social medical insurance (“醫保定點藥房”). Such standards and requirements include, among others, (i) maintaining the qualification as pharmacy designated by social medical insurance for certain years without non-compliance, (ii) staffing a certain number of pharmacology professionals including at least two full-time licensed pharmacists, as well as in-house delivery personnel, (iii) offering a certain SKU percentage of specialty medicines, (iv) equipping with store space of a certain GFA, facilities and equipment for specialty medicines storage and delivery, and (v) building up a procurement, inventory and sales management system and an information system connecting to the local medical administration’s information system. Currently, the local government has the authority to define such detailed standards and requirements, examine the applications and award the “dual-channel” qualifications. According to CIC, as of May 31, 2022, among 13,697 pharmacies designated by social medical insurance in Zhejiang province, only 392 of them had obtained the “dual-channel” qualification, accounting for approximately 2.9% of all the pharmacies designated by social medical insurance; while in Chengdu, only 35 pharmacies had obtained the “dual-channel” qualification, accounting for approximately 0.3% of a total 11,489 pharmacies designated by social medical insurance.

We also adjusted our store layouts from time to time and closed some of our pharmacy stores for commercial reasons. First, when there is a more suitable pharmacy location in a city where a store has already been opened (considering factors such as distance from hospitals, coverage of multiple hospitals in the same city, delivery cost, and transportation routes), the store will be relocated, and the new store will take over the business of the original store. Second, after acquiring a local pharmacy with more sales revenue and product offering, we comprehensively considered the store layouts and compared the market potential of the acquired store and the store built by ourselves, and may close the latter one. Third, we assess the overall market potential of specialty medicines in lower-tier cities, which may be greatly affected by policy changes, and in this regard we may close our pharmacy stores in such cities. For the six pharmacy stores we closed in 2020 and 2021, we operated them for 6 to 34 months before business closure.

## BUSINESS

Our network expansion demonstrated our efforts to improve our capabilities to serve a larger population of patients and to tap new pharmaceutical business growth opportunities. The following table sets forth the number of our specialty pharmacies in different regions in China for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2019	2020	2021	2022
<b>Number of specialty pharmacies as of the year end</b>				
Eastern China	16	22	28	28
Southern China	16	18	21	25
Western China	15	14	16	18
Northern China	23	22	26	32
<b>Total</b>	<b>70</b>	<b>76</b>	<b>91</b>	<b>103</b>

### *Sales and Operation Efficiency*

We see our specialty pharmacy business a professional service offering instead of simply a retail of pharmaceutical products. Because of the nature of our business, sales in our pharmacy storefronts are driven by our reputation among doctors and pharmaceutical companies as well as loyalty of customers who choose to stick with us for our professional services, we are not limited to opening our pharmacy stores with large floor areas or in locations with strong footage.

For the similar reason, we do not track operating metrics such as sales per square meters used by traditional retailers to monitor operation efficiency. Instead, we consider average sales per pharmacy store a meaningful number to measure efficiency and expanding coverage within a city. The following table sets forth our sales per store data for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2019	2020	2021	2022
<b>Average monthly sales per pharmacy store<sup>(1)</sup> (RMB)</b>				
Eastern China	1,144,020	2,715,354	2,640,431	2,466,353
Southern China	1,188,930	2,212,408	2,897,286	2,395,170
Western China	1,331,773	2,267,231	2,784,355	2,804,184
Northern China	1,518,041	3,216,843	3,253,301	2,787,629
<b>Average</b>	<b>1,282,353</b>	<b>2,660,758</b>	<b>2,900,420</b>	<b>2,606,396</b>

*Note:*

(1) Calculated by dividing the total revenue generated by our pharmacy stores for the period by the total number of months during which our pharmacy stores recorded revenue for the period.

We monitor our operating and financial metrics to measure our growth in specialty pharmacy business:

- Our average monthly sales per pharmacy store increased from RMB1.3 million in 2019, to RMB2.7 million in 2020, and further to RMB2.9 million in 2021, but decreased to RMB2.6 million in the six months ended June 30, 2022.
- The average number of daily orders per store increased from twelve in December 2019, to 17 in December 2020, and maintained the same level in December 2021 and June 2022.
- The average revenue per order increased from RMB5,718 in December 2019, to RMB6,259 in December 2020, but decreased to RMB5,930 in December 2021, and to RMB5,329 in June 2022.

---

## BUSINESS

---

The significant increase of average monthly sales per store and same store sales growth in 2020 was primarily because many of our specialty pharmacies were newly opened in 2019, which became ramping-up stores and matured stores in 2020. Such significant increase can also be attributed to the improvement of our pharmacist service and the optimization of our follow-up assessment service system. However, due to the implementation of centralized procurement by the PRC government in early 2021, which resulted in the significant decrease of the prices of certain specialty medicines in our product offering, our average monthly sales per store and same store sales did not experience a significant increase in 2021, as compared with our sales growth in 2020. Our average monthly sales per store in the six months ended June 30, 2022 was lower than that in 2020 and 2021, because specialty medicine retail business is generally at its lowest point in January to February when there is the Chinese Spring Festival.

Our average monthly sales growth was either in line with or higher than the industry peers during the Track Record Period. The average monthly sales per store of Company 1D, an industry peer as set forth in “Industry Overview—Overview of Specialty Pharmacy Business in China—Competitive Landscape of Specialty Pharmacy in China” in this prospectus, was approximately RMB0.7 million in 2019, RMB1.0 million in 2020 and RMB1.1 million in 2021, while the average monthly sales per store of Company 1E, another industry peer, was approximately RMB0.7 million in 2019, RMB1.4 million in 2020 and RMB1.5 million in 2021. Company 1D mainly offers medication, healthcare products and medical supplies, with a focus on specialty medicines, including drugs for chronic diseases, respiratory system diseases, digestive system diseases, immune system diseases and cancers. Company 1D’s pharmacy stores in tier-1 cities and near Grade III hospitals generally have an SKU of 40,000 to 50,000, and the stores in tier-2 or tier-3 cities generally have an SKU of around 10,000. Company 1D also has smaller stores with an SKU of 3,000 to 5,000. As of December 31, 2021, Company 1D had 264 pharmacy stores nationwide. Company 1E mainly offers drugs for chronic diseases, cancers and rare diseases. Its large-size stores generally have an SKU of over 40,000, and its small-to-middle size stores generally have an SKU of around 10,000. As of December 31, 2021, Company 1E had 51 pharmacy stores nationwide.

According to CIC, there are two other pharmaceutical distributors which we see as our industry peers, although their product offering significantly differ from ours as they also sell a large amount of non-specialty prescription medicines and OTC medicines. Company 1F is a Beijing-based company owned by a leading state-owned drug distribution company listed on the Shanghai Stock Exchange. Company F has a wide drug offering including both high-value specialty medicines for critical diseases, and prescription and OTC medicines for common and non-critical diseases, and operates a DTP pharmacy network of more than 300 pharmacy stores. According to CIC, the average monthly sales per store of Company F was approximately RMB1.1 million in 2019, RMB1.1 million in 2020 and RMB1.6 million in 2021. Company 1G is a Beijing-based company owned by a leading state-owned drug distribution company listed on the Hong Kong Stock Exchange. Company G has a wide drug offering including prescription drugs targeting cancers, rare diseases and chronic diseases, and operates a DTP pharmacy network of over 200 pharmacy stores. According to CIC, the average monthly sales per store of Company G was approximately RMB1.7 million in 2019, RMB1.7 million in 2020 and RMB1.7 million in 2021. Based on the foregoing, we see our average monthly sales per store was in line with our industry peers in 2019, and significantly higher than our peers in 2020 and 2021.

Our average revenue per order decreased in 2021, primarily because, apart from the impact of centralized procurement, a higher proportion of our specialty pharmacies were newly opened in 2021, as compared with 2020.

## BUSINESS

### *Development Stages of Our Specialty Pharmacies*

We opened our first specialty pharmacy store in August 2017, and expanded our nationwide footprint steadily through organic growth and strategic acquisition. For all of our pharmacy stores that were in operation as of June 30, 2022, each of them was profit making in terms of its respective gross profit during the Track Record Period. The following table sets forth the financial performance of our specialty pharmacies, grouped by years of opening, that are either built by ourselves or acquired from third parties that constituted asset acquisition, during the year ended December 31, 2021, which are important metrics that our management tracks in evaluating our performance in initiating and running specialty pharmacy business by ourselves. We exclude in the following table the specialty pharmacies we acquired from third parties that constituted business combination, since the financial metrics of such specialty pharmacies would lead to inaccuracy when we evaluate our performance in growing a pharmacy's business from zero. For acquired stores that constituted asset acquisition or business combination, see "Financial Information—Significant Accounting Policies, Judgments and Estimates—Acquisition of Subsidiaries That are not a Business" and "Financial Information—Significant Accounting Policies, Judgments and Estimates—Business Combination" for more details. As shown in the table below, for illustrative purpose, stores opened in 2018 have an operating period of three full fiscal years as of December 31, 2021, and their average revenue and average gross profit in 2021 was RMB51.9 million and RMB2.8 million, respectively; stores opened in 2020 have an operating period of one full fiscal year as of December 31, 2021, and their average revenue and average gross profit in 2021 was RMB28.1 million and RMB1.5 million, respectively. Our pharmacy stores had been ramping up during the Track Record Period.

<u>Year of Opening</u>	<u>Number of Stores</u>	<u>Average Revenue in 2021 (RMB'000)</u>	<u>Average Gross Profit in 2021 (RMB'000)</u>	<u>Average Gross Profit Margin in 2021 (%)</u>	<u>CAGR of Revenue<sup>(1)</sup></u>
<b>2017</b> .....	1	40,629	2,182	5.4%	32.0% <sup>(2)</sup>
<b>2018</b> .....	28	51,881	2,797	5.4%	61.2% <sup>(3)</sup>
<b>2019</b> .....	26	24,095	1,292	5.4%	27.2% <sup>(4)</sup>
<b>2020</b> .....	9	28,085	1,478	5.3%	N/A
<b>2021</b> .....	18	3,723	193	5.2%	N/A

*Notes:*

- (1) Calculated for the period from the year immediately following the year of opening to 2021, such that the annualized revenue growth is calculated based on full years of business operation.
- (2) Calculated based on the average revenue in 2018 in the amount of RMB17,667,512.
- (3) Calculated based on the average revenue in 2019 in the amount of RMB19,959,485.
- (4) Calculated based on the average revenue in 2020 in the amount of RMB18,947,802.

We also closely monitor the financial performance of specialty pharmacies acquired from third parties that constituted business combination. The following are the financial metrics of all our specialty pharmacies (including those built by ourselves and acquired from third parties) grouped by year of business inception:

- For the group of pharmacy stores opened in 2018, the average daily sales per store increased from RMB104,317 in December 2019, to RMB155,946 in December 2020, to RMB156,065 in December 2021, but decreased to RMB146,212 in June 2022.
- For the group of pharmacy stores opened in 2019, the average daily sales per store increased from RMB51,257 in December 2019, to RMB87,425 in December 2020, and further to RMB97,651 in December 2021, but decreased to RMB86,553 in June 2022.
- For the group of pharmacy stores opened in 2020, the average daily sales per store decreased from RMB89,466 in December 2020 to RMB85,989 in December 2021, and further to RMB85,173 in June 2022.

---

## BUSINESS

---

- The same store sales grew by 64% in December 2020 as compared to December 2019, grew by 2% in December 2021 as compared to December 2020, and grew by 7% in June 2022 as compared to June 2021.

Our pharmacy stores' average daily sales decreased in June 2022 as compared with December 2021 due to the impact of the outbreak of COVID-19 pandemic and the centralized procurement program updated in early 2022. Moreover, as we assess the market potential of specialty pharmacies, we had been adjusting the geographic layout of our pharmacy stores and accordingly, slowing down the daily sales of certain stores that we decided to close.

For the group of pharmacy stores opened in 2020, the average daily sales per store decreased primarily due to the centralized procurement. Since these stores are relatively new and have not achieved steady growth, they are more likely to be impacted by governmental policies, as compared with matured stores opened in and before 2019.

### *Initial Breakeven Period and Investment Payback Period*

We measure the initial breakeven period for our pharmacy stores that (i) had achieved initial breakeven as of June 30, 2022, (ii) were built by ourselves or acquired from third parties that constituted asset acquisition, and (iii) were in operation as of June 30, 2022. The initial breakeven period represents the period from the inception of business operation of such pharmacy stores, to the time when they recorded monthly net profit for the first time. The average initial breakeven period for such pharmacy stores was approximately 22.8 months.

We measure the investment payback period for our pharmacy stores that (i) had achieved investment payback as of June 30, 2022, (ii) were built by ourselves or acquired from third parties that constituted asset acquisition, and (iii) were in operation as of June 30, 2022. The investment payback period represents the time it takes for the accumulated profits attributable to us from such pharmacy stores to recover our initial investments. The average investment payback period for such pharmacy stores was approximately 27.1 months.

### *Impact of Centralized Procurement*

On July 30, 2020, the National Healthcare Security Administration promulgated the Interim Measures for the Administration of Drugs Covered by Basic Medical Insurance (《基本醫療保險用藥管理暫行辦法》, the “**Interim Measures**”), which became effective on September 1, 2020. Pursuant to the Interim Measures, expenses for the drugs listed on the Basic Medical Insurance Medication Catalogue (《基本醫療保險藥品目錄》, the “**Medication Catalogue**”) are eligible for reimbursement by the national social medical insurance. Drugs listed on the Medication Catalogue are further categorized under Class A and Class B categories. Drugs listed in Class A category, generally older and generic drugs, are 100% reimbursable by the national social medical insurance, while drugs listed in Class B category, generally innovative and premium drugs, are partially reimbursable by the national social medical insurance.

Specialty medicines are generally listed in Class B category after they enter into the Medication Catalogue, and their retail prices are then reduced by 17% to 70% generally. On the other hand, the sales volume will generally increase due to the price reduction. Our sales volume of specialty medicines that entered into the Medication Catalogue in 2020 typically increased by 80% to 1,500% in 2021 as compared with 2020.

Specifically, a purchase is eligible for reimbursement if the specialty medicine being purchased is for treating a particular indication covered by the national social medical insurance. For example,

---

## BUSINESS

---

Camrelizumab for injection may be used to treat eight indications, including Hodgkin lymphoma, hepatocellular carcinoma, non-squamous non-small cell lung cancer, squamous non-small cell lung cancer, two kinds of esophageal squamous cell carcinoma, and two kinds of nasopharyngeal carcinoma. However, the Medication Catalogue only covered Hodgkin lymphoma, hepatocellular carcinoma, non-squamous non-small cell lung cancer and one kind of esophageal squamous cell carcinoma, on which the expenses for using Camrelizumab are eligible for reimbursement by the national social medical insurance.

Currently, local health security administrations have the authority to select from Class B category the drugs that may be reimbursed by the national social medical insurance, and they generally select only a limited number of Class B category drugs that patients are able to purchase from pharmacies with the “dual-channel” qualification, where the expenses are directly settled with the national social medical insurance fund through the patient’s social insurance account. In addition, the local health security administrations have the authority to determine the reimbursement ratio of their selected Class B category drugs, which typically ranges from 50% to 90%, and varies significantly from the geographical perspective.

Our specialty pharmacies offer 258 specialty medicines listed under Class B category as of June 30, 2022, accounting for approximately 62% of our total SKU as of the same date. However, due to the foregoing reasons, our revenue of Class B category specialty medicines reimbursed by the national social medical insurance in 2021 and the six months ended June 30, 2022, being a sum of RMB313.5 million, accounted for only 7.1% of our total medication retail revenue during the same period. Among these revenue, RMB256.5 million was contributed by oncology drugs, representing 5.8% of our total medication retail revenue, and RMB57.0 million was contributed by non-oncology drugs targeting other critical diseases such as autoimmune disease, cardiovascular disease and nervous system disease, representing 1.3% of our total medication retail revenue.

Although our average monthly sales per store was impacted by the centralized procurement, our gross profit margin did not experience a significant decrease during the Track Record Period. For the years ended December 31, 2019, 2020 and 2021, and the six months ended June 30, 2022, our gross profit margin of medication retail business was 5.4%, 5.6%, 5.4% and 4.9%, respectively. In addition to the reason that only a very small portion of our revenue sourced from sales of specialty medicines was reimbursed by the national social medical insurance, our procurement costs for these medicines also decreased significantly, since the sales prices offered by our suppliers decreased following admission to the centralized procurement program.

We will utilize our strategy to further expand and diversify our offering of specialty medicines to maintain and increase our medication revenue. In addition, as we closely monitor the development of centralized procurement policies, as industry norm, we negotiate with our suppliers for price adjustment compensation when the relevant specialty medicines are admitted in the centralized procurement program. For example, we had an inventory of a PD-1 drug which was newly admitted in the centralized procurement program in December 2020. Following the relevant price reduction in March 2021, we negotiated with the pharmaceutical company for price adjustment to our inventory so that our total costs on such inventory were reduced to the adjusted price per unit multiplied by the total units in our inventory. The pharmaceutical company then remitted the compensation amount to us.

### *Product Offering, Supply and Inventory*

We offer a wide variety of prescription medicines to patients, with a focus on high-value and innovative oncology drugs. We have maintained long-term cooperation with leading pharmaceutical

## BUSINESS

manufacturers and distributors, providing us with steady resources in medicine supply. For the year ended December 31, 2021 and the six months ended June 30, 2022, we cooperated with more than 550 pharmaceutical manufacturers and distributors. Benefiting from our close relationship with well-known brands in the industry, we are able to offer a wide variety of specialty medicines particularly oncology drugs to meet the patients' growing and diversified demand. We are generally not affected by the seasonality of an individual medicine due to the wide coverage and diversity of our medicine offerings. The following table sets forth a revenue and SKU breakdown by specialty medicine offerings for the periods indicated.

	For the year ended December 31,												For the six months ended June 30,			
	2019				2020				2021				2022			
	Revenue (RMB'000)	%	SKU	%	Revenue (RMB'000)	%	SKU	%	Revenue (RMB'000)	%	SKU	%	Revenue (RMB'000)	%	SKU	%
Oncology drugs . . . . .	773,544	92.8	112	66.7	2,106,590	91.6	161	61.7	2,631,407	91.0	216	64.0	1,348,130	86.8	256	61.2
Non-oncology drugs . . . . .	60,072	7.2	56	33.3	194,251	8.4	100	38.3	261,795	9.0	121	36.0	205,784	13.2	162	38.8
<b>Total . . . . .</b>	<b>833,616</b>	<b>100.0</b>	<b>168</b>	<b>100.0</b>	<b>2,300,841</b>	<b>100.0</b>	<b>261</b>	<b>100.0</b>	<b>2,893,202</b>	<b>100.0</b>	<b>337</b>	<b>100.0</b>	<b>1,553,914</b>	<b>100.0</b>	<b>418</b>	<b>100.0</b>

Other than the various third party pharmaceutical suppliers, our pharmacy stores also procure medicines through our wholly-owned subsidiary Guangdong Dahui Medical Co., Ltd. (廣東達慧醫藥有限公司) (“**Guangdong Dahui**”), under which centralized procuring model we are able to improve our overall gross margin and optimize our product offering. Guangdong Dahui typically obtains first-level distribution qualification from pharmaceutical manufacturers, through which we are able to procure medicines at a lower price as comparing to purchasing from other pharmaceutical distributors, and all of our pharmacy stores will be authorized to sell the relevant medicines. Moreover, in circumstances of supply shortage of a particular medicine in the market, Guangdong Dahui's first-level distribution qualification enables us to secure supply directly from pharmaceutical manufacturers. Although we are inclined to procure medicines under our centralized procuring model, during the Track Record Period, procurement through Guangdong Dahui still represented only a small proportion in our total purchase, therefore, the resultant impact on costs and margins between external and internal supply sources was not material during the Track Record Period.

We have established a standardized supply and inventory management system to enhance our operation efficiency. For example, our information synchronization system for product purchase, sales and inventory facilitates a better overall inventory control, avoids product out-of-stocks or inventory backlogs, and enables us to meet sales demand while also making more reasonable use of funds.

Our suppliers are in charge of the logistics of medicines to our pharmacy stores and our warehouse operated by Guangdong Dahui, and we strictly follow the applicable rules and protocols to inspect and store the medicines in our inventory. In addition, we have an in-house delivery team in each of our pharmacy stores, providing direct delivery service to patients.

We have developed our proprietary inventory management platform connecting all of our pharmacy stores and managing their inventories under a centralized system. Since specialty medicines typically have high value and small volume, and do not require frequent replenishment, we scatteredly stored them at pharmacy storefronts for efficiency. Products that have passed our inspection will be placed in a proper storage environment area according to the storage condition requirements of such products. The temperature and humidity of each storage area are monitored and adjusted regularly on a daily basis to make them meet the storage condition requirements.

Regular maintenance and inspection of medicines stored in various regions will be carried out on a monthly basis, and abnormal conditions detected will be adjusted in a timely manner. On the last



business day of each month, a comprehensive inventory check will be carried out following the close of business. We also conduct random inventory check and real-time inventory check from time to time. Our store managers review the results of inventory check, figure out the reasons for any discrepancies, and make inventory corrections to ensure that the inventory in the system is consistent with the actual inventory.

#### *Payment Solution*

As of June 30, 2022, among our 103 specialty pharmacies, 76 of them are designated pharmacies for social medical insurance, where patients may purchase and reimburse through their social security accounts the expenses for prescription medicines and OTC medicines covered by the national social medical insurance. However, if patients purchase specialty medicines that are covered by the national social medical insurance at pharmacies that are designated pharmacies for social medical insurance but have not obtained the “dual-channel” qualification, expenses for such specialty medicines may not be reimbursed by the national social medical insurance, therefore patients would switch to public hospitals for prescription and purchase of such specialty medicines since the relevant expenses may be reimbursed when purchasing from public hospitals. In this regard, we see the “dual-channel” qualification an important one for our specialty pharmacy business for attracting patient traffic. As of June 30, 2022, 47 of our specialty pharmacies had obtained the “dual-channel” qualification from local health security administrations. When purchasing specialty medicines covered by the national social medical insurance as designated by the local health security administrations, eligible patients are able to pay through their social security accounts directly and reimburse typically 50% to 90% of their expenses for such medicines that are previously only reimbursable when purchased from public hospitals. In addition, our specialty pharmacies also provide direct billing with major insurance carriers, providing additional payment options to patients.

#### *Specialty Pharmacy Business Pricing and Revenue Recognition*

We price medicines taking into consideration of various factors including product category, market demand and competition, procurement price, marketing strategy, as well as the pricing terms of supply agreements with pharmaceutical manufacturers and distributors. For those specialty medicines that are included in the National Reimbursement Drug List, we price them according to the relevant prices set by the regulators. A patient’s cost for specialty medicines for each month of treatment is typically above RMB1,000, and may be as high as RMB100,000. We do not charge extra fee for our pharmacist service.

During the Track Record Period, a majority of the our revenue was generated from Specialty Pharmacy Business segment, and it has experienced rapid expansion, with revenue growing from RMB863.6 million in 2019, to RMB2,482.0 million in 2020 and further to RMB3,136.5 million in 2021. For the six months ended June 30, 2022, we recorded revenue of RMB1,646.4 million. We generally recognize revenue upon delivery of the medicines and pharmaceutical products. Although this business line earns a gross margin relatively lower than our other two business lines, it grew rapidly as we strategically expanded our pharmacy network by opening up more pharmacy stores across China, improved our product offering and strengthened our pharmacist service, all of which contributed to our Specialty Pharmacy Business revenue growth. We also see this expansion and a large store network strategically beneficial to our long-term goal not only to build up our patient management system and deepen our connection with oncology specialists for a nationwide coverage, but also to create a healthcare ecosystem in which our Specialty Pharmacy Business interacts with Physician Research Assistance and Health Insurance Services business lines, and to build a platform that brings quality and accessible care to a larger population.

***Source of Specialty Pharmacy Business Customers***

Our Specialty Pharmacy Business customers are generally patients receiving treatments in Class III hospitals, particularly oncology hospitals. As the “zero markup” policy drove public hospitals to lower its inventory of high-value innovative drugs with high management requirements and maintenance costs, prescriptions of such medicines have increasingly flowed out of public hospitals and into specialty pharmacies, therefore more and more patients with critical diseases such as cancer, choose to purchase specialty medicines from specialty pharmacies, particularly from those have obtained the “dual-channel” qualification. For our 103 specialty pharmacy stores that were in operation as of June 30, 2022, their average distance to hospitals is 248 meters. Particularly, 101 of these stores are located within 1,000 meters to hospitals, among which 82 stores are located within 300 meters to hospitals. Since most of our specialty pharmacies are located near Class III hospitals, and many of them have obtained the “dual-channel” qualification, patients prefer purchasing specialty medicines from our stores for convenience and professional pharmacist service. Our professional pharmacist service, which is valued-added to patients, is also an appealing factor. Moreover, our Health Insurance Services business also helps source customers for our Specialty Pharmacy Business as members enrolled in Hui Min Insurance may purchase specialty medicines from our specialty pharmacies and claim for reimbursement from insurance carriers in an efficient manner. We do not enter into any cooperative arrangement with doctors.

Our Specialty Pharmacy Business customers also consisted of pharmaceutical distributors and pharmaceutical companies, to a much lesser extent in terms of revenue contribution to our Specialty Pharmacy Business segment, during the Track Record Period. Guangdong Dahui has obtained the first level distribution qualification for certain medication from pharmaceutical manufacturers. Distribution qualification in the PRC is generally classified by geographic coverage and supply chain: that the first level distribution qualification typically refers to the distribution right within the geographic area of one or more provinces, and the second level distribution qualification typically refers to the distribution right within the geographic area of certain cities in the provinces covered by the upstream first level distributor, while the third level distribution qualification typically refers to that within the geographic area of certain counties in the cities covered by the upstream second level distributor. However, unlike the foregoing discussed classification of distribution rights, Guangdong Dahui’s first level distribution qualification refers to such right directly awarded by pharmaceutical manufactures, rather than other pharmaceutical distributors, in which case such distribution qualification shall be defined as the second, third or even lower tier distribution qualification.

Drugs sold in our medication distribution business mainly include active pharmaceutical ingredients (APIs), drugs in disease areas such as high blood lipid, immune system diseases and cancers. Non-oncology drugs sold in our medication retail business mainly include medications in disease areas such as cardiovascular, rheumatology, and ophthalmology, as well as antiviral drugs. Differing from the second or third level distribution qualification awarded by upstream suppliers which are pharmaceutical distributors, rather than pharmaceutical manufactures, our first level distribution qualification allowed us to lower our procurement costs and as a result, our sales price are competitive and other pharmaceutical distributors would purchase such medication from Guangdong Dahui and therefore became our customers. We also sold medication to pharmaceutical companies for their research and development activities or pharmaceutical manufacturing, which we view as a synergy between our Physician Research Assistance and Specialty Pharmacy Business. For the years ended December 31, 2019, 2020 and 2021, and the six months ended June 30, 2022, (i) the revenue generated by our medication distribution business were RMB28.0 million, RMB179.0 million, RMB240.4 million and RMB92.5 million, respectively, accounting for 3.2%, 7.2%, 7.7% and 5.6% of the total revenue of our Specialty Pharmacy Business, for the same periods, respectively; and (ii) our gross profit generated by medication distribution

---

## BUSINESS

---

business were RMB1.4 million, RMB6.0 million, RMB27.5 million and RMB13.0 million, respectively, representing a gross profit margin of 5.2%, 3.4%, 11.4% and 14.0% for the same periods, respectively. The fluctuation of our gross profit margin for medication distribution business during the Track Record Period was attributed to the fluctuation of market supply of and demand for medication used in research and development activities, which resulted in the fluctuation of our costs and sale prices from time to time. During the Track Record Period, sales to pharmaceutical distributors accounted for a majority of our total revenue of medication distribution business, which were 85.3%, 59.2%, 57.1% and 67.6% for the years ended December 31, 2019, 2020 and 2021, and the six months ended June 30, 2022, respectively. Accordingly, sales to pharmaceutical companies accounted for 14.7%, 40.8%, 42.9% and 32.4% of our total revenue of medication distribution business, for the same periods, respectively.

Our medication distribution business only transact with pharmaceutical distributors for their further distribution and pharmaceutical companies for their research and development activities and pharmaceutical manufacturing. We had not participated in any medication procurement activities of public medical institutions. We have adopted a series of measures to ensure our compliance with the applicable regulations and policies with respect to the “two-invoice” system, including, among others, (i) requesting for and verifying the authenticity of the invoices issued by the pharmaceutical manufacturers/suppliers for the medication procured, (ii) checking the consistency between such invoices and the purchase orders, and the consistency of such invoices and purchase orders against the variety, specification and quantity of the medication, before we conduct inventory inspection and acceptance of such medication; (iii) retaining all the invoices, purchase orders and other relevant documents with respect to the procurement and resale of medication; and (iv) issuing invoices and purchase orders for medication sold to pharmaceutical distributors or pharmaceutical companies. Our Directors further confirm that as of the Latest Practicable Date, we had not (i) been deemed to have violated or circumvented any national or local regulations, rules or policies with respect to the “two-invoice” system by any competent authorities, or (ii) been imposed any administrative fines or penalties by, or received any warning or notice from any competent authorities for any non-compliance under the “two-invoice” system.

Based on the foregoing, as confirmed by our PRC Legal Adviser, our operation of medication distribution business has complied with applicable regulations and policies with respect to the “two-invoice” system, including the *Notice on the Implementation of “Two-Invoice” System regarding the Procurement of Medicine in Public Hospital (on Trial)* (印發關於在公立醫療機構藥品採購中推行“兩票制”的實施意見（試行）的通知), in all material respects, during the Track Record Period and up to the Latest Practicable Date.

In addition, as confirmed by our PRC Legal Adviser, the progress of implementation of the “two-invoice” system for medication varies in different provinces in China, and as of the Latest Practicable Date, there was no promulgated PRC laws clearly and specifically setting forth the administrative penalties on us if any of our downstream pharmaceutical distributors or pharmaceutical companies resell the relevant medication to public medical institutions in violation of the regulations in relation to the “two-invoice” system.

### ***Growth Drivers***

First, the incidence of critical diseases, particularly cancers, has increased during the past years in China, from approximately 3.9 million in 2015 to approximately 4.8 million in 2021, stimulating a growing demand for specialty medicine. The product offering in our specialty pharmacies has been focusing on high-value and innovative oncology drugs during the Track Record Period.

## BUSINESS

Second, the Chinese government has initiated the reform to in-hospital medicines, and required public hospitals to eliminate the markup of medicines and reduce the proportion of medicine costs in the overall medical expenditure. The “zero markup” policy led specialty medicines to a loss-making business for public hospitals given the logistics and storage cost. Therefore, prescription outflowed to out-of-hospital pharmacies, and the proportion of market size of out-of-hospital specialty medicine increased from 14.0% in 2015 to 23.7% in 2021, which accelerated the development of specialty pharmacies.

Third, with a successful capture of the industry tailwind, we rapidly expanded our pharmacy store network during the Track Record Period, from 70 stores by the end of 2019 to 103 stores by June 30, 2022, which significantly contributed to our revenue growth in our Specialty Pharmacy Business.

### Physician Research Assistance

In our Physician Research Assistance business line, we engage in SMO business to support pharmaceutical companies in their drug R&D process from phase I to phase IV clinical trials. We also offer RWS service with respect to innovative drugs after their market launch, to a much lesser extent in terms of revenue contribution and number of projects. The diagram below illustrates how pharmaceutical companies correlate and interact with investigators through our Physician Research Assistance service:



The following table sets forth the revenue breakdown for our SMO and RWS businesses and their respective percentages of the total revenue of the Physician Research Assistance business segment for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,	
	2019		2020		2021		2022	
	<i>Revenue</i> <i>(RMB'000)</i>	%	<i>Revenue</i> <i>(RMB'000)</i>	%	<i>Revenue</i> <i>(RMB'000)</i>	%	<i>Revenue</i> <i>(RMB'000)</i>	%
SMO .....	153,219	88.5	179,008	96.4	234,568	95.8	146,351	98.1
RWS .....	19,976	11.5	6,644	3.6	10,289	4.2	2,803	1.9
<b>Total</b> .....	<b>173,195</b>	<b>100.0</b>	<b>185,652</b>	<b>100.0</b>	<b>244,857</b>	<b>100.0</b>	<b>149,154</b>	<b>100.0</b>

## BUSINESS

The following table sets forth the operational and financial metrics of our SMO and RWS businesses as of the end of the periods indicated below:

	As of December 31,			As of
	2019	2020	2021	June 30, 2022
<b>SMO</b>				
Number of completed projects	63	64	67	99
Number of ongoing projects	459	669	926	936
Average contract value of projects newly awarded in the relevant period (RMB'000)	1,507	1,548	1,737	1,219 <sup>(3)</sup>
Backlogged contract value <sup>(1)</sup> (RMB'000)	430,811	657,369	991,711	980,414
<b>RWS</b>				
Number of completed projects	12	21	31	32
Number of ongoing projects	9	10	4	5
Average contract value of projects newly awarded in the relevant period (RMB'000) <sup>(2)</sup>	1,921	483	1,942	1,871
Backlogged contract value <sup>(1)</sup> (RMB'000)	5,742	6,234	3,507	6,123

*Notes:*

- (1) Backlogged contract value refers to the contract value representing the outstanding obligations to be performed in the ongoing projects.
- (2) The average contract value of RWS projects varied significantly in each year during the Track Record Period because we had a very small number of RWS projects, and these projects differed from each other significantly in terms of time duration, scope of study data and number of participants, etc. The average contract value of projects newly awarded in 2020 was significantly lower than that in 2019 and 2021 because such projects were mainly retrospective studies on a particular treatment plan targeting a particular indication, therefore our service fees were correspondingly much lower due to our significantly lower workload.
- (3) The average contract value of SMO projects newly awarded in the six months ended June 30, 2022 was significantly lower than that in 2021 due to normal business fluctuation, such as that more SMO projects involved a lower number of clinical trial sites.

### **SMO Service**

We provide SMO service to assist with project feasibility study, project approval application, trial site launch, participant enrollment and management, on-site management of data, files, drugs and materials, and site closure. Our clients in SMO business are mainly pharmaceutical companies, particularly those focus on oncology drug R&D. As of June 30, 2022, we had served 289 clients across trial sites in 87 cities.

We cooperate with 460 hospitals, covering five national cancer treatment centers and 27 provincial oncology hospitals. As of December 31, 2019, 2020 and 2021, and June 30, 2022, we had completed 63, 64, 67 and 99 SMO projects, and 459, 669, 926 and 936 SMO projects were ongoing, respectively, of which approximately 95% are studies on oncology drugs. A significant number of projects we conducted were multi-sited. For example, Project No. 1 may be conducted in Beijing, Shanghai, Guangzhou, Chengdu, Shenyang and other cities at the same time. The table below shows the number of projects we conducted in major cities including Beijing, Shanghai and Guangzhou as of the date indicated:

	As of December 31,			As of
	2019	2020	2021	June 30, 2022
Beijing	421	583	700	932
Shanghai	264	364	434	570
Guangzhou	198	290	360	736

The following table sets forth the details of our top five projects in terms of revenue contribution during the Track Record Period:

Top Five Projects in 2019	Service Type	Project Duration	Contract Value	% of Completion <sup>(1)</sup>			Revenue			Contract Assets			Trade Receivables			Backlogged Contract Value <sup>(2)</sup>										
				As of December 31,		As of June 30,	As of December 31,		As of June 30,	As of December 31,		As of June 30,	As of December 31,		As of June 30,	As of December 31,		As of June 30,								
				2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022							
Project F	SMO	2018-2022	8,729	91%	114%	122%	124%	6,126	1,966	598	157	4,807	2,405	2,688	1,731	416	2,642	—	591	829	(1,255)	(1,889)	(2,056)			
Project G	SMO	2018-2023	9,662	85%	110%	115%	116%	6,220	2,589	454	116	2,926	3,294	381	49	952	299	478	478	1,360	(954)	(1,435)	(1,558)			
Project B	SMO	2018-2023	15,082	39%	77%	90%	96%	3,886	5,248	3,264	1,129	2,022	4,366	679	445	200	1,444	—	1,431	6,844	2,903	1,449	531			
Project C	SMO	2018-2023	18,691	45%	69%	81%	84%	5,812	4,174	2,161	543	—	—	—	—	81	323	—	—	10,285	5,860	3,570	2,995			
Project H	SMO	2017-2024	11,448	62%	73%	76%	78%	3,846	1,244	615	229	647	—	—	—	1,196	1,301	94	1,176	4,067	3,040	2,717	2,475			
<b>Total</b>			<b>63,611</b>					<b>25,890</b>	<b>15,221</b>	<b>7,092</b>	<b>2,174</b>	<b>10,402</b>	<b>10,065</b>	<b>3,748</b>	<b>2,225</b>	<b>2,845</b>	<b>6,009</b>	<b>572</b>	<b>3,676</b>	<b>23,385</b>	<b>9,594</b>	<b>4,412</b>	<b>2,387</b>			
<i>(RMB '000)</i>																										
Top Five Projects in 2020	Service Type	Project Duration	Contract Value	% of Completion <sup>(1)</sup>			Revenue			Contract Assets			Trade Receivables			Backlogged Contract Value <sup>(2)</sup>										
				As of December 31,		As of June 30,	As of December 31,		As of June 30,	As of December 31,		As of June 30,	As of December 31,		As of June 30,											
				2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022							
Project B	SMO	2018-2023	15,082	39%	77%	90%	96%	3,886	5,248	3,264	1,129	2,022	4,366	679	445	200	1,444	—	1,431	6,844	2,903	1,449	531			
Project E	SMO	2019-2022	17,043	14%	47%	73%	76%	1,358	6,010	4,255	615	—	2,239	373	—	833	—	75	1,483	8,960	8,707	4,548	4,071			
Project L	SMO	2019-2022	13,632	14%	50%	78%	83%	1,773	4,616	3,696	612	350	1,943	2,271	133	—	—	60	11,752	6,860	2,942	2,293	—			
Project D	SMO	2018-2022	14,878	22%	62%	84%	93%	3,022	5,629	3,112	1,252	—	—	—	247	1,485	—	—	11,650	5,683	2,410	1,083	—			
Project A	SMO	2018-2022	22,200	20%	56%	71%	76%	3,479	6,509	4,794	1,168	—	2,183	1,795	2,524	5,106	—	—	15,120	8,220	6,531	5,294	—			
<b>Total</b>			<b>82,835</b>					<b>13,518</b>	<b>28,012</b>	<b>19,121</b>	<b>4,776</b>	<b>2,372</b>	<b>10,731</b>	<b>5,118</b>	<b>3,349</b>	<b>7,624</b>	<b>1,444</b>	<b>75</b>	<b>2,974</b>	<b>54,326</b>	<b>32,373</b>	<b>17,880</b>	<b>13,271</b>			
<i>(RMB '000)</i>																										
Top Five Projects in 2021	Service Type	Project Duration	Contract Value	% of Completion <sup>(1)</sup>			Revenue			Contract Assets			Trade Receivables			Backlogged Contract Value <sup>(2)</sup>										
				As of December 31,		As of June 30,	As of December 31,		As of June 30,	As of December 31,		As of June 30,	As of December 31,		As of June 30,											
				2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022							
Project I	SMO	2019-2023	9,222	12%	55%	103%	110%	539	4,006	4,454	532	218	1,958	2,611	2,236	—	—	—	389	4,069	3,955	(293)	(880)			
Project E	SMO	2019-2022	17,043	14%	47%	73%	76%	1,358	6,010	4,255	615	—	2,239	373	—	833	—	75	1,483	8,960	8,707	4,548	4,071			
Project J	SMO	2019-2027	16,921	0%	19%	44%	53%	—	2,370	4,693	1,353	—	248	1,532	1,496	—	—	—	1,388	481	11,009	9,433	7,999			
Project K	SMO	2019-2024	19,638	9%	29%	61%	75%	1,607	3,776	5,872	2,634	—	1,960	2,788	—	—	—	—	—	17,935	13,933	7,708	4,916			
Project A	SMO	2018-2022	22,200	20%	56%	71%	76%	3,479	6,509	4,794	1,168	—	2,183	1,795	2,524	5,106	—	—	15,120	8,220	6,531	5,293	—			
<b>Total</b>			<b>85,023</b>					<b>6,983</b>	<b>22,671</b>	<b>24,068</b>	<b>6,302</b>	<b>218</b>	<b>6,628</b>	<b>8,271</b>	<b>9,044</b>	<b>5,939</b>	<b>75</b>	<b>3,260</b>	<b>46,565</b>	<b>45,824</b>	<b>27,927</b>	<b>21,399</b>				
<i>(RMB '000)</i>																										

Top Five Projects for the first six months of 2022	Service Type	Project Duration	Contract Value  (RMB '000)	% of Completion <sup>(1)</sup>			Revenue			Contract Assets			Trade Receivables			Backlogged Contract Value <sup>(2)</sup>			
				As of December 31,		As of June 30,	As of December 31,		As of June 30,	As of December 31,		As of June 30,	As of December 31,		As of June 30,	As of December 31,		As of June 30,	
				2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Project M	SMO	2020-2024	21,544	—	0%	12%	31%	—	2,498	3,712	—	—	—	—	—	21,531	18,883	14,962	
Project N	SMO	2019-2024	11,597	—	—	8%	41%	—	885	3,557	—	—	—	2,899	2,319	—	—	10,659	6,888
Project K	SMO	2019-2024	19,638	9%	29%	61%	75%	1,607	3,776	5,872	2,634	—	1,960	—	—	17,935	13,933	7,708	4,916
Project O	SMO	2020-2031	7,549	—	0%	22%	54%	—	1,562	2,269	—	969	2,428	—	63	—	1,852	5,893	3,488
Project P	SMO	2021-2024	10,998	—	8%	34%	55%	—	810	2,679	2,266	—	—	—	1,554	—	10,139	7,299	4,897
<b>Total</b>			<b>71,326</b>					<b>1,607</b>	<b>4,586</b>	<b>13,496</b>	<b>14,438</b>		<b>2,929</b>	<b>7,486</b>		<b>17,935</b>	<b>47,455</b>	<b>50,442</b>	<b>35,151</b>

Notes:

- Measured by recognition of revenue based on number of completed monitoring visits to participants. During the Track Record Period, the completion percentage of certain projects exceeded 100% because the actual work volume exceeded the target volume and therefore resulted in recognition of additional revenue and over-backlogged contract value. Pursuant to the service agreements that we entered into with our SMO customers, the service fees provided in such agreements are estimated amount for reference and the final fees shall be settled based on the actual expenses arising from rendering of services, which, according to CIC, is also in line with the industry norm.
- Backlogged Contract Value = Contract Value - Revenue\* 106%. 6% represents the value-added tax applicable to SMO service payable by the Company.

---

## BUSINESS

---

In recent years, new entrants in innovative drug R&D are facing fierce competition in engaging clinical trial sites. Leveraging our extensive physician network and deep understanding of physicians' particular needs in scientific research and real-world clinical R&D environment, we connect pharmaceutical companies with physicians, who can then develop an understanding of the R&D efforts of these pharmaceutical companies and act as the PIs in their clinical trials. As of the Latest Practicable Date, our SMO business has established a clinical study team who have education background and/or work experience in the fields of medicine, nursery and/or biology. Our SMO clients, as the sponsors of clinical trials, engage investigators to conduct trials for their drugs, and our CRCs do not interact with our clients directly, but assist and cooperate with investigators closely in their day-to-day practice. Due to our outstanding quality of service and in-depth expertise for clinical development of innovative drugs, we have built up stable and long-term partnerships with a substantial number of multinational and domestically leading pharmaceutical companies. We maintained the largest market share of SMO service for oncology drugs in China in 2021.

Our SMO business focuses on clinical development of innovative drugs. The clinical development of an innovative drug involves various parties including sponsors, investigators, CROs, SMOs and regulatory authorities. The major differences in the service offering of CROs and SMOs are that CROs typically focus on preclinical drug discovery and research services, as well as clinical trial stage technical research and statistical analysis which are not within the service scope of an SMO. Currently, large-size CROs also offer SMO services to their clients. In a clinical trial, a CRA's role is mainly inspecting the clinical trials conducted by investigators to ensure that the clinical trials are carried out in accordance with the trial protocol and GCP; while a CRC's role is mainly assisting investigators in non-clinical works, therefore the roles of CRAs and CRCs have no overlap with one another.

Sponsors, typically being pharmaceutical and bio-tech companies, are our clients of SMO business. Sponsors' responsibilities in a clinical trial mainly include the following:

- Initiating clinical trials
- Managing, financing and monitoring clinical trials
- Applying for approval from regulatory authorities and ethics committee
- Selecting trial sites and investigators
- Preparing detailed SOP, and investigator's brochure setting forth the chemical, pharmacological, toxicological, and clinical information and data on the experimental drugs
- Designing trial protocols with investigators
- Providing experimental drugs manufactured, packaged and labeled according to GMP standards
- Reporting all adverse drug reactions (ADRs) that are both serious and unexpected to regulatory authorities and ethics committee
- Establishing an independent quality assurance system and assigning qualified personnel to monitor and audit clinical trials
- Preparing clinical trial reports that comply with GCP and relevant regulations

Investigators are responsible for the conduct of a clinical trial at the trial site. If a trial is conducted by a team of individuals, the investigator is the responsible team leader and may be called the PI. PIs are usually qualified physicians, and their responsibilities mainly include the following:

- Studying the nature of the experimental drug as described in the investigator's manual
- Complying with trial protocols, GCP principles and relevant regulations



---

## BUSINESS

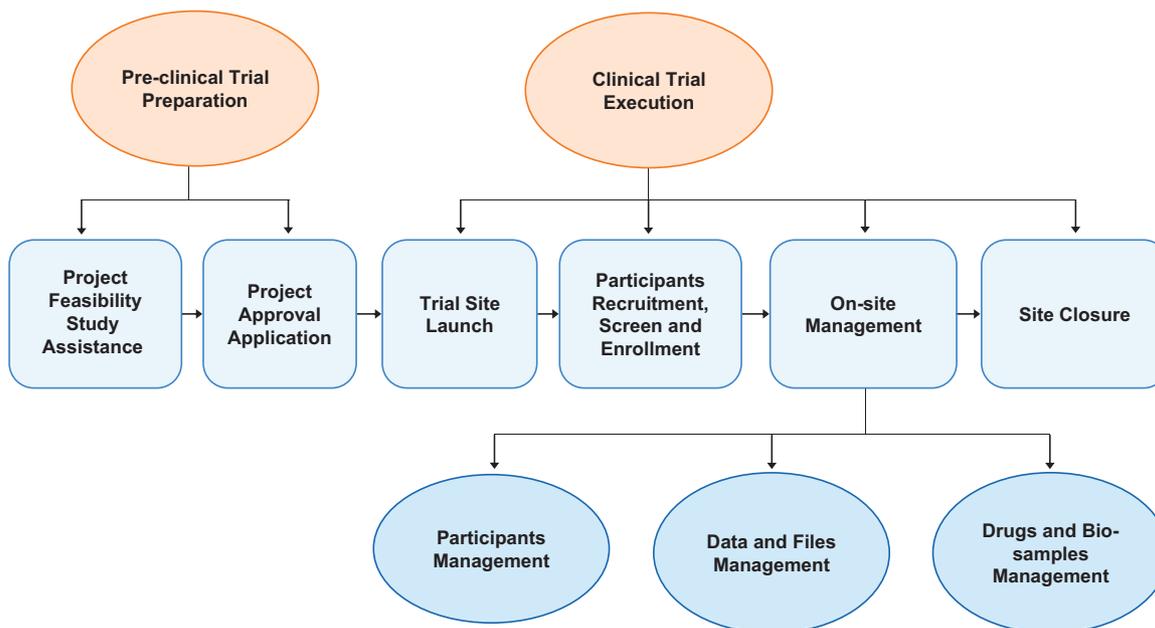
---

- Submitting trial related documents to ethics committee for approval
- Providing adequate information to participants and obtaining their informed consents
- Enrolling eligible participants and maintaining the records of all screened participants
- Collecting, recording and reporting trial data accurately
- Using, storing and administering experimental drugs appropriately
- Reporting any serious AEs or reactions to regulatory authority and ethics committee
- Accepting the sponsor's and regulatory authority's supervision or inspection
- Participate in drafting trial summary report after completion of clinical trials

As PIs are usually doctors working full time in high-tier public hospitals, they lack sufficient time and energy to handle various non-clinical matters throughout the whole process of a clinical trial. Therefore, pharmaceutical and biotech companies prefer to engage SMOs to assist PIs on non-clinical matters in order to enhance the overall efficiency and compliance of the clinical trials.

Our SMO services encompass Phase I to Phase IV clinical trials. As of June 30, 2022, we had assisted more than 28 innovative drugs to be launched in domestic and international markets. We have established a standardized quality management system for clinical trial execution and management, and accumulated extensive experience and professional expertise from our years of practice. Leveraging our talent advantages, we are familiar with domestic and international regulatory requirements, and strictly follow standard trial protocol. As we pay close attention to our clients' needs, we have strong capabilities to provide tailored clinical trial execution and management service to various types of pharmaceutical companies.

We offer a one-stop SMO solution for our clients throughout the entire clinical trial process to achieve seamless integration and frictionless implementation, and ensure the overall efficiency and compliance of clinical trials. The diagram below illustrates our SMO service process:



- *Project Feasibility Study Assistance.* Based on the documents and materials provided by the sponsor, we assist on the feasibility study on the PIs' availability and qualification, and the

---

## BUSINESS

---

availability and requirements of the trial site, usually the hospitals. As the PIs and trial site may be conducting clinical trials for competing products, we assist the sponsor to study the impact of such competing trials on the proposed clinical trial. As an important part of the feasibility study, we also assist the sponsor to work out the duration, procedure and requirements for the application with the ethics review committee, who will independently review, approve, conduct follow-up review of the trial protocol and related documents, and the methods and materials used to obtain and record the informed consents of the participants, to ensure that the participants' rights and safety are protected appropriately. An ethics review committee is generally established by a medical institution or an academic institution, and composed of at least seven members including experts in the fields of biomedicine and ethics, law and sociology. Moreover, when needed, we assist the sponsor in signing the non-disclosure agreement with the PIs to protect the sponsor's confidential information.

- *Project Approval Application.* We assist the sponsor to submit the application materials for approval from the trial site and its ethics review committee. In addition, we follow up with the application process from time to time and provide updates to the sponsor.
- *Trial Site Launch.* We assist sponsors in preparing for the trial site launch, including organizing and managing the documents, drugs, bio-samples, and equipment for the clinical trial, assisting with the project kick-off meeting, and providing a summary report as follow up with issues raised in the kick-off meeting.
- *Participant Enrollment.* We communicate with the sponsor proactively regarding the participant enrollment plan and assist the PIs in recruiting participants through various channels. Following the recruitment, we assist PIs in screening the participant candidates and enrolling those who are qualified according to the participant enrollment plan. We also coordinate to execute the informed consent forms by the participants to secure compliance with applicable rules and protocols.
- *On-site Management.* We dispatch our professionally trained CRC teams to the trial site to handle various matters that do not require medical judgment, including participant management, data and file management, drugs and bio-samples management, as well as multi-party coordination.
  - Our participant management includes providing medication guidance to each participant, recording each participant's characteristics and symptoms including AEs in the electronic data capture, arranging regular visits to and communication with participants, and assisting PIs to collect pathological sections. We also assist PIs to work out with the sponsor the impact of any noncompliance with the trial protocol.
  - In terms of data and file management, we update the investigator site file on a regular basis, collect, verify and upload participants' data and image files, and maintain the data privacy and confidentiality. Furthermore, we assist PIs to collect study materials and submit the various documents such as safety report or annual report to the ethics review committee.
  - To manage the trial drugs and bio-samples properly, we keep an adequate supply of drugs during the trial process, store, distribute and retrieve drugs and bio-samples according to the trial protocol, and organize the documents relating to the logistics of trial drugs and bio-samples.
  - We also coordinate site visits, investigation, and audit by various parties involved in the clinical trial.
- *Site Closure.* At the end of a clinical trial, we assist the sponsor in organizing and archiving the trial documents and materials, submitting annual or summary reports, and/or preparing for site visits by the NMPA and other relevant regulatory authorities. In addition, we assist sponsors with the site closing visit and process the payment of various fees incurred in the clinical trials.

---

## BUSINESS

---

Our SMO services assist pharmaceutical companies to launch their innovative drugs in the domestic and international markets. For example, Pamiparib, a PARP inhibitor, was officially approved for marketing by the NMPA in May 2021, for the treatment of patients with advanced ovarian, fallopian tube or primary peritoneal cancer. We provided SMO services for Pamiparib's phase II clinical trial, which was started in 2017. Before the kick-off of the trial, we assisted the sponsor to prepare and submit the application materials for approval from the ethics review committee. We then coordinated for the site initiation in early November 2017, and assisted the investigators to recruit and screen eligible participants afterwards. In mid-December 2017, we assisted with the signing of informed consent forms by the first participant, the collection of such participant's medical history related information, and the screen and enrollment of such participant. Following the participant enrollment, we assisted investigators with the participant's blood sampling and drug dispensing. Afterwards, we collected the participant's laboratory test results and inspection reports, prepared CD-ROMs storing the participant's medical images, and uploaded the clinical information and data into the sponsor's evaluation system. Our CRCs also managed the documents of investigators and participants, and followed up with the investigators with respect to their progress on preparing the medical records and tumor assessments. Pamiparib's phase II clinical trial involved a total of 26 trial sites, enrolled 113 participants and lasted for 20 months. Before the site closure in June 2022, we assisted the sponsor to organize and archive all the trial materials, information and documents, and submit the summary report to the NMPA.

### *SMO Pricing and Revenue Recognition*

Our service contracts generally have a term of three to five years, and we price and charge service fees based on our workload, which primarily depends on the phase of clinical trials, the duration and complexity of trials, and the number of trial sites and participants. Typically we charge a total service fee ranging from RMB1 million to RMB15 million for each project. Our service proposals to customers are normally based on our estimation of total hours incurred for the whole project and hourly rate of our CRCs.

We provide a significant integrated service, resulting in a combined output in the SMO business, which is clinical trial data that meets the relevant regulatory standards and can be used by the customer to progress to the next phase of a clinical trial or solicit approval of a treatment by the applicable regulatory body. The performance obligation is satisfied over time as the output is captured in data and documentation that is available for the customer to consume over the course of the arrangement and further progress of the clinical trial because the over-time criterion in IFRS 15.35 (As we perform, the customer simultaneously receives and consumes the benefits provided by the our performance.) was met.

The Group recognizes revenue for SMO business over time using an output-based method. Revenue was recognized based on progress on the performance obligation, which is typically measured by the proportion of numbers of actual monitoring and follow-up visits to participants completed as of measurement date to the expected total numbers of monitoring and follow-up visits to participants stipulated in the service contracts.

### *Billing and Contract Assets*

Differences in the timing of revenue recognition and associated billings and cash collections result in recording of trade receivable, contract assets, and contract liabilities on the consolidated statements of financial position. Amounts are billed as work progresses upon achievement of contractual milestones in accordance with agreed-upon contractual terms.

---

## BUSINESS

---

In general, billings and payments are established by contractual provisions including predetermined payment schedules, which may or may not correspond to the timing of the performance of services under a contract. Billings may occur subsequent to revenue recognition, resulting in recording of contract assets in instances where the right to bill is associated with a contingency (e.g., achievement of a milestone).

Contract assets arise when services have been rendered for which revenue has been recognized but the customers have not been billed. Contract assets include unbilled amounts typically resulting from revenue recognized in excess of the amounts billed to the customer. When a milestone is achieved by us, the corresponding contract assets will be billed and the outstanding amount will be transferred to trade receivables.

Generally, certain milestones are stipulated in the SMO service agreements specially for major projects, public and multi-national pharmaceutical companies may set forth time-consuming conditions, such as enrollment of dozens or hundreds of eligible participants, completion of one phase of clinical trials, completion of follow-up visits, etc. For example, one of our ongoing projects took approximately 11 months to complete the milestone of completing participant enrollment in 2019. In another project which targets to enroll over 500 participants, we spent approximately 10 months to complete 30% of enrollment, approximately 11 months to complete another 30% of enrollment and we are still currently enrolling the remaining 40%. Furthermore, for projects involving multi-center trials, we carry out various trials at multiple centers for different milestones at the same time, which may lead to significant contract assets during the Track Record Period.

The aging of our certain contract assets may exceed one year as the time interval between two milestones varies with the term of each individual agreement. The billing cycle tends to be prolonged when the trial design for a target drug is complicated or if the participant volume is large as stipulated in a milestone. The Company is of the view that the settlement risk with the contract assets aged over one year is low given (i) most of the related customers are listed pharmaceutical companies with high credit profile and sound financial condition; (ii) the related projects remain active without known impediments that might delay the progress of the projects; and (iii) the increase in contract assets balance is largely in line with the rapid development of Physician Research Assistance business.

Contract liabilities consist of advanced payments and billings on a contract in excess of revenue recognized. These amounts represent consideration received or unconditionally due from a customer prior to transferring services to the customer under the terms of the service contract. The contract liabilities are reported net of contract assets on a contract-by-contract basis at the end of each reporting period.

### ***Real-world Study Service***

Aiming to offer better services to pharmaceutical companies and further support our SMO business, our RWS provides analytics-driven research and digital commercialization solutions to pharmaceutical and biotech companies focusing on oncology therapies, which are the major customers of our RWS business. Our RWS services are provided separately from SMO services, and we enter into separate RWS service contracts with our clients.

A typical RWS involves data collection and analysis of an oncology therapy's real-world treatment and medical outcomes in a targeted patient group. Sponsors or investigators of the RWS delegate our CRAs to collect the target patients' information from the hospital's database storing medical records, including those information relating to medical history, symptoms, diagnosis, treatment plan, treatment

outcome, health condition following the treatment, and adverse reactions or events. Information relating to the target patients' identity is filtered. Our CRAs then enter such information into the database designated by sponsors or investigators. Our customers use those data to measure and monitor the actual treatment results, model of treatment and utilization of medical resources in the real world. Our RWS not only focuses on studies on the real-world treatment and medical outcomes of a particular oncology therapy, but also involves studies on the treatment pattern and medical outcomes of a particular disease, mainly cancers. For example, in 2017, we provided RWS service to our client on its retrospective observational study on the treatment pattern, clinical outcome and healthcare resource utilization with respect to Chinese patients with advanced/metastatic lung cancer, enrolling 8,800 participants in over 35 study centers. In this project, we routinely communicated and coordinated with investigators in all study centers, inspect and supervise their research work to ensure the study was carried out in strict compliance with the study protocol and GCP, and periodically update, document and upload the participants' information, study materials and documents according to the study progress. We also utilize our software and technology platforms to enhance the RWS process. For example, we have built up an intelligent follow-up system, through which our CRAs may conduct follow-up visits on participants and record the information and data obtained from the follow-up visits in a more efficient manner.

In October 2018, we assisted Bevacizumab (“安維汀®”) to obtain the approval for new indications. We also cooperated with pharmaceutical companies on RWS projects studying pharmacoeconomics and real-world treatment patterns and outcomes, and collaborated with physicians to conduct studies on multi-patient RWS and publish articles in leading international and domestic academic journals and magazines.

Our RWS also functions as a strong supplement to our Specialty Pharmacy Business. We cooperated with physicians to study on the effects of patient management service based on the statistics generated between January 1, 2019 to June 30, 2021 from our follow-up assessment service provided by our specialty pharmacies. The first academic research article studying the duration of treatment through a real-world study by specialty pharmacy was published in China in June 2021.

#### *RWS Pricing and Revenue Recognition*

We charge our clients RWS service fee based on the scope of data to follow and collect as well as the complexity of services including whether our supplemental software and technology platform are required and used. We price our service fee based on our CRAs' hourly rate and the estimation of total hours we will spend in the whole project. We generally provide our clients a detailed fee estimation table setting out the CRAs' hourly rate, estimated working hours in each stage of the project, as well as the number of trial sites, if applicable. Typically we charge a total service fee ranging from RMB0.5 million to RMB3 million for each project. The terms of our RWS service agreements are typically one to three years, which may be adjusted according to the progress of the clinical trial or study project.

We provide a significant integration service resulting in a combined output in the RWS business, which is a series of data report that can provide insights to our clients on oncology therapies. The performance obligation is satisfied over time as the output is captured in data and documentation that is available for the client to consume over the course of the arrangement and furthers progress of the RWS project because the over-time criterion in IFRS 15.35 (As we perform, our client simultaneously receives and consumes the benefits provided by our performance.) was met.

The RWS contracts provide the right to payment for the work performed to date, which is invoiced to the client as work progresses, either based on data report delivered or the achievement of billing milestones. We typically recognize revenue under these contracts over time, using a 'units delivered'

output method as the data or reports are delivered to our clients to measure progress and transfer of control of the performance obligation to the clients.

### ***Source of Physician Research Assistance Clients***

We source Physician Research Assistance clients through our business and marketing efforts. Our sales and marketing team prepares marketing and pitch materials and presents our service, experience and strengths to potential clients. More importantly, our extensive experience and quality of service not only secure long-term clients, but also create a word-of-mouth effect for developing new clients.

### ***Growth Drivers***

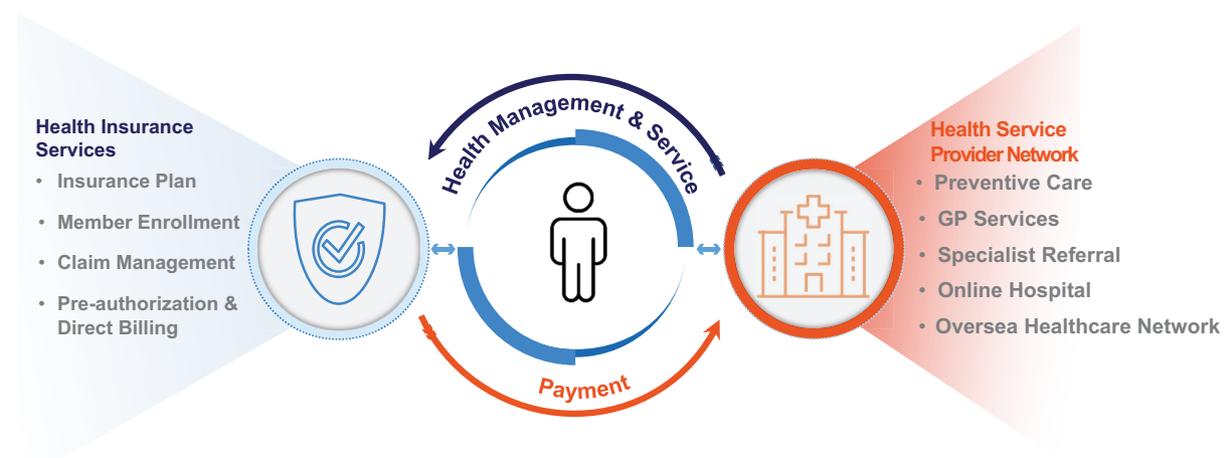
First, the R&D investment in innovative drugs by pharmaceutical companies has increased significantly during the past six years, from RMB68.2 billion in 2015 to RMB218.6 billion in 2021, at a CAGR of 21.4%. The number of newly registered clinical trials for innovative drugs, excluding bioequivalence studies, increased from 749 in 2015 to 1,939 in 2021. Particularly, the number of those trials for oncology drugs increased from 148 in 2015 to 802 in 2021. Since our SMO had been focusing on oncology drugs during the Track Record Period, we benefited from the rapid growth of investment in R&D of innovative oncology drugs.

Second, the Chinese government promulgated a series of rules and regulations that require clinical trials to be more strictly compliant with applicable standards and protocols. As our SMO service has adopted a mature set of practice process, and our CRCs are well trained and experienced in assisting investigators to handle various non-medical works in different types of clinical trials, we are capable to help enhance the overall compliance of clinical trials, thereby bringing more values to pharmaceutical companies.

Third, our proactive marketing strategies and business development efforts effectively promoted our brand name to potential clients, as well as strengthened our collaborative relationships with existing clients, thereby bringing more workflow for our Physician Research Assistance business line.

### **Health Insurance Services**

We provide member-oriented health insurance services, with an offering of full-spectrum health management services, and differentiated and specialized health insurance plans.



---

## BUSINESS

---

Our Health Insurance Services connects our members with GPs, specialists, medical institutions, physical examination institutions, rehabilitation centers, pharmacies and insurance carriers, to provide a solution encompassing products, services and payment solutions. We sell health insurance plans to our individual and enterprise, and collect insurance premium on behalf of insurance carriers. After the insurance policies become effective and the insurance carriers underwrite such insurance policies, the insurance carriers pay us the brokerage commission, which is typically determined based on a percentage of the total premium collected. Individuals who successfully enroll in our health insurance plans become our members during the insured period, during which time we provide them health management services which we view as our differentiated services for customer attraction and retention. We procure health management services from our selected third-party health service providers and settle payments with them directly from our own accounts. We incur costs as we provide health management services to our members.

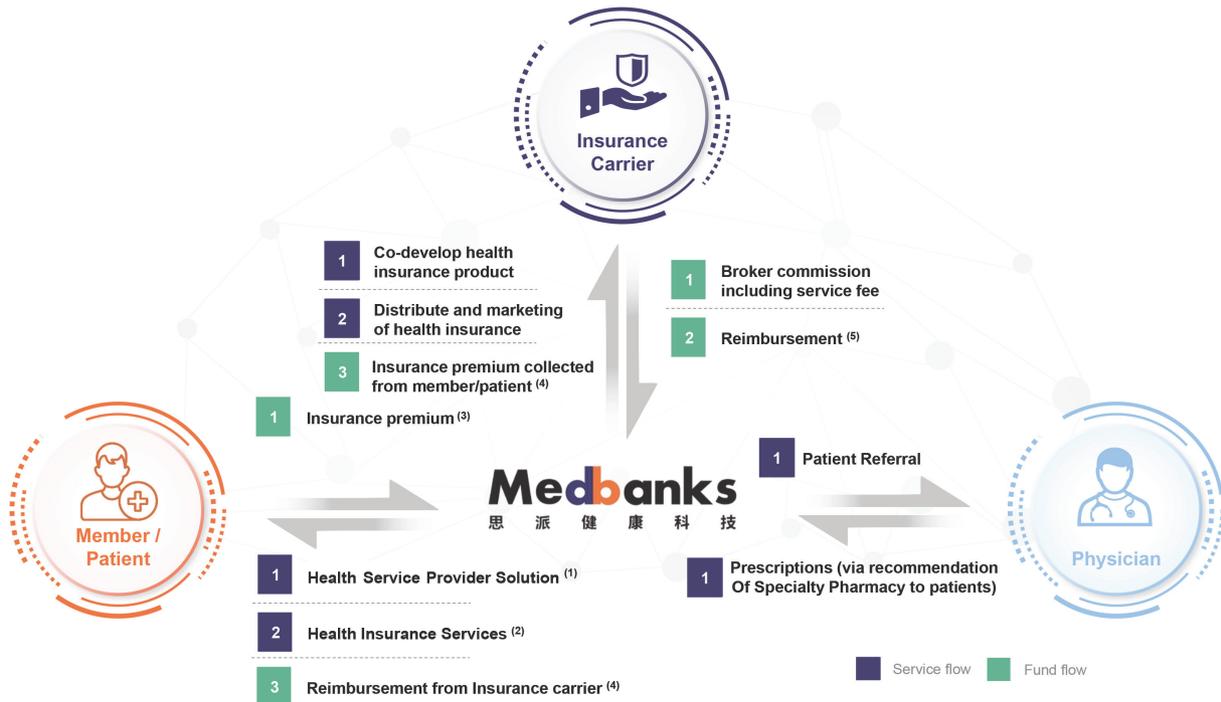
Leveraging our deep data insights and strong data analytic capabilities, we co-design and co-develop various specialized health insurance products with insurance carriers. We design health insurance products' coverage of the varieties of diseases and medicines based on our data insights to local demographics, and propose the insured amount for each covered disease and relevant medicines, as well as the premium price as we utilize our actuarial capabilities. Insurance carriers review our design before we finalize with insurance carriers the detailed terms of the health insurance products. We also provide claim processing services to insurance carriers. Upon receipt of a reimbursement claim submitted by members, we review and examine such reimbursement claim, and then submit a preliminary reimbursement approval or rejection to insurance carriers. After insurance carriers revert the reimbursement approval, we process the reimbursement funds to our members. Leveraging our capabilities to co-design and co-develop specialized health insurance plans as well as provide professional claim processing services to insurance carriers, our Health Insurance Services business grew steadily and rapidly, with the number of customers using such services grew from eleven in 2020, to 23 in 2021, and further to 29 in the six months ended June 30, 2022. Although our first health insurance plan was launched in 2019, the insurance carrier underwriting such plan was recognized as our customer in 2020 rather than 2019 because the relevant commission was settled with us in early 2020.

Moreover, we take responsibilities to promote and sell health insurance products, leveraging our strong marketing capabilities and experience as we are the first mover to launch Hui Min Insurance in the market. As we are licensed to engage in insurance brokerage business, we charge insurance carriers brokerage commission, which is determined based on a fixed percentage of premium, as agreed in the insurance brokerage contract between insurance carriers and us. Commissions paid by insurance carriers fairly reflect our overall contribution in the co-designing, co-development, promotion and sales of our specialized health insurance products, and also represent the service fee for our provision of health management services and claim processing services to insurance carriers, as a series of professional third-party services which is a mature practice in the health insurance market.

As we offer our members health management services, we select and cooperate with reputable third party healthcare vendors. While we do not employ any GP or specialist, we have established strategic and collaborative agreements with our third party healthcare providers including medical institutions, physical examination institutions. After receiving requests from our members, we contact the appropriate healthcare providers for health management or medical treatment services to our members. Expenditure on healthcare services may be reimbursed or directly paid by insurance carriers if covered by the insurance products. The diagram below illustrates the correlation and interaction among

## BUSINESS

insurance carriers, healthcare providers and members and patients through our Health Insurance Services platform:



*Notes:*

- (1) Includes preventive care, GP services, specialist referral, online hospital and oversea healthcare network.
- (2) Includes healthcare plan, member enrollment, claim management, pre-authorization and direct billing.
- (3) We collect insurance premium from members since the commencement of enrollment period, which is typically one to two months for Hui Min Insurance. We temporarily deposit such cash in our separated bank accounts until we settle with insurance carriers.
- (4) During the enrollment period, we settle the premium with insurance carriers from time to time on a periodic basis after we accumulate a certain amount of premium in our separated bank accounts. Balance of the premium in our bank accounts is typically settled within 60 days following the expiration of enrollment period of the insurance product.
- (5) For insurance products that we do not provide claim processing service, reimbursement is paid directly by the insurance carrier to the member/patient.

Our health management services offers a series of proactive, continuous and tiered health management services, ranging from health risk prevention, disease management to rehabilitation, with an offering of physical examination, online and offline health consultation, medical care navigation, hospital and specialist referral, prescription renewal and pharmacist service. In order to better serve our members in addition to providing high quality health management services from selected health vendors, we co-designed and co-developed specialized health insurance plans with industry leading insurance carriers. The costs for medical and health management services as well as prescription medicines incurred by our members can be directly paid or reimbursed through their health insurance plans. Our health management services and health insurance plans complement each other to create a synergistic integrated business model.

### ***Our Health Management Network***

Our health management network serve individuals and connect them with GPs, specialists, medical institutions, physical examination institutions, rehabilitation centers and pharmacies, aiming to establish a comprehensive health management solution platform to meet our members' growing and diversified needs underserved by traditional medical institutions. As of June 30, 2022, our health management network encompassed over 1,200 Class III Grade A hospitals in over 150 major cities across China. It facilitates our members with a convenient access to over 55,000 doctors, so that they



---

## BUSINESS

---

are able to receive efficient and effective treatment and advanced medication that are otherwise unavailable through their local resources.

We value preventive care as important as disease treatment. We offer a variety of valuable services addressing health management goals to identify and prevent health risks, fundamentally moving people toward healthier lifestyles and better health conditions. Our health management service includes physical examination design, examination report analysis, health consultation, health profile management, health risk assessment, early tumor screening and follow-up assessment, providing an opportunity for our members to discover their own health status and issues. We selectively cooperate with reputable physical examination institutions to provide tailored physical examination services to our members. We typically enter into one-year term cooperation agreements with these vendors, and settle payments periodically based on the number of members undertaking physical examinations and the prices of their physical examination packages. In addition, for our members who are pregnant, children, seniors or patients with chronic disease, we provide tailored health management service based on their particular needs, such as in-home medical service and post-hospital rehabilitation assistance.

GPs in our network make personalized advice on preventive care, treat all common medical conditions and refer patients to hospitals for urgent and specialist treatment. GPs are generally the first point of contact for our members that are anxious about a health issue that they see necessary for a consultation. GPs assess the patient, and then make swift and effective decisions based on the presenting symptoms, as well as the patient's current and previous medical history. GPs also assess the likelihood of a specific illness over others. Moreover, we dispatch GP teams to our enterprise clients to conduct on-site consultation, effectively saving their employees' time and efforts to seek a consultation in medical institutions.

We function as the point of contact for our members from the beginning of a medical journey to the end, including preliminary diagnosis, follow-up visit, specialist referral, medicine prescription, rehabilitation assistance and chronic disease management. We strategically cooperate with reputable medical institutions based on one-year term agreements, which are typically renewed automatically unless terminated by either party upon 30-day notice in advance. We offer outpatient and inpatient appointment reservation, as well as direct billing services to our members. Medical expenses are generally settled with medical institutions on a monthly basis according to the fees actually incurred by our members. In a typical service process, a GP conducts a preliminary check on our members and follows up with a treatment paradigm or prescription. When needed, the GP would recommend our members to seek further diagnosis or treatment in hospitals of higher tiers that have better resources of specialists, and connect them with an appropriate specialist. Leveraging our health service provider network and specialist referral capabilities, our members are able to significantly save time and energy to find the right hospital and specialist to achieve a more precise treatment. For example, oncology patients need an average of three hospital visits to locate the right oncology specialist. In contrast, our GP service allows our members to locate the right specialist through a one-time consultation. In addition, we facilitate expedited inpatient and outpatient appointments for members with critical diseases. After they are discharged from hospitals, we assist them to seek rehabilitation treatment from appropriate medical institutions. Moreover, we offer upgraded service to meet our members' premium medical needs. We have personnel with medical background to accompany our members throughout the whole process of a medical journey.

We provide our members remote access to medical service through telephone hotline, through which they can consult with GPs from 9 am to 6 pm. We also connect our members to online hospital service which primarily includes health consultation, health management, health education, follow-up diagnosis and prescription renewal services.

### ***Our Health Insurance Plans***

Chinese people are increasingly aware of the need for more robust insurance coverage and health management services. However, many remain underserved by traditional insurance carriers and medical service providers. We partner with insurance carriers to develop specialized health insurance plans to address this need. As of June 30, 2022, we had launched 24 types of health insurance plans, enrolling approximately 23.9 million individual members and 876 enterprise clients.

We provide claim management service to our members and support claim information compilation and preliminary claim review. Relevant documents can be submitted digitally for our initial review. We then pass our initial review results to relevant insurance carriers for their final review and settlement approval, greatly improving claim efficiency and member satisfaction. In addition, through our pre-authorization service, qualified members can enjoy direct billing and payment. Empowered by those featured services, we are able to provide smooth customer experience that reduces frictions and unnecessary delays, and aligns interests and incentives of our members.

We tailor our health insurance plans to meet our members' diversified needs, considering the insurance coverage, premium pricing, insured amount, as well as demand for medical and health services. Leveraging our data insights and in-house data analytics and actuarial capabilities, we have co-developed differentiated health insurance plans with major insurance carriers. While we provide various services to our plan members, insurance carriers are our customers from accounting perspective as we receive commissions from them.

As of the Latest Practicable Date, our health insurance product portfolio included two major group insurance plans, namely Hui Min Insurance (“惠民保”) and Enterprise Health Plans (“健康保”). Both Hui Min Insurance and Enterprise Health Plans have a term of one year, and members pay the premium on their first purchase and on an annual basis upon renewal. As of the Latest Practicable Date, we have offered health management services only to the members enrolled in Enterprise Health Plans.

While it is common in China for consumers to purchase health insurance plans from various insurance intermediary and brokerage platforms instead of directly from insurance carriers for the convenience and abundance of choices, we believe our health insurance plans are especially appealing to our target customers, since they are tailored to meet different groups of people's particular needs with respect to insurance protection and healthcare services and offered at a reasonable price. For example, middle-class people are willing to pay a higher premium for enhanced insurance protection and premium healthcare service, which brings them better consumer experience and saves more time and energy, while people with lower income are more price sensitive when they consider paying for premium healthcare service.

We launched our first health insurance plan in late 2019. Our operating metrics as follows show our rapid growth in Health Insurance Services business:

- Our average monthly sales revenue of health insurance plans increased from RMB185,000 in 2019, to RMB2.7 million in 2020, to RMB7.7 million in 2021, and RMB15.4 million in the six months ended June 30, 2022.
- The number of insurance plans we had launched increased from one as of December 31, 2019, to 12 as of December 31, 2020, to 17 as of December 31, 2021, and further to 24 as of June 30, 2022. Specifically, although Hui Min Insurance is launched in various cities, we deem it as one and the same type of insurance plan, and accordingly, we had launched eleven Enterprise Health

---

## BUSINESS

---

Plans as of December 2020, 16 Enterprise Health Plans as of December 31, 2021, and 23 Enterprise Health Plans as of June 30, 2022.

- The number of monthly active members increased from 0.7 million in December 2019, to 5.3 million in December 2020, to 8.3 million in December 2021, and further to 10.1 million in June 2022.

### *Hui Min Insurance*

We co-design and co-develop Hui Min Insurance leveraging our data insights, our in-house data analytic and actuarial capabilities generated from our proprietary database. Supported by local governments, we are capable to design Hui Min Insurance for each city to better adapt to its local demographics. For example, esophageal cancer is specifically covered in Chengdu, where such cancer has a relatively high incidence. We have launched Hui Min Insurance in one province and 16 major cities including Xuzhou, Chengdu, Kunming and Suzhou. The number of individual members of Hui Min Insurance increased from 0.7 million in December 2019, to 5.9 million in December 2020, to 14.2 million in December 2021, and further to 23.7 million in June 2022.

Hui Min Insurance is endorsed by the local governments and underwritten by leading insurance carriers in China. Designed as an insurance product with minimum enrollment requirements targeting the broadest population, people participating in the national basic medical insurance are eligible to purchase Hui Min Insurance, regardless of their age or past medical history. As a strong complement to the national basic medical insurance, Hui Min Insurance provides additional coverage of large self-pay bills for critical diseases. It also covers over eight types of rare diseases, which at all times incur incredibly high medical expenses that are not affordable by most people. Hui Min Insurance also covers a variety of high-value innovative drugs treating cancers and other critical diseases. Addressing the huge demand for insurance coverage over critical diseases at an affordable premium rate, Hui Min Insurance quickly received popularity following market launch.

We offer Hui Min Insurance on our Weixin official accounts exclusively. The following screenshots show our Weixin official accounts that are mobile-accessible, user-friendly and informative.



The following screenshots show the online interfaces how members purchase and enroll in Hui Min Insurance through our Weixin official accounts, taking Hui Rong Bao (惠蓉保), Hui Min Insurance for residents in Chengdu, Sichuan province, for illustrating purpose.



Our Weixin official accounts are designed to streamline the various transaction processes, ensure smooth user experience, and reduce the time between first query and the completion of a transaction. Our members only need to fill in the enrollment form online and disclose their pre-existing medical conditions before purchasing, with physical examination result not being a prerequisite. Our Weixin official accounts also allow our members to renew the product within minutes. Moreover, we support claim information compilation and preliminary claim review. Relevant documents can be submitted digitally for our initial review. We then pass our initial review results to relevant insurance carriers for their final review and settlement approval, greatly improving claim efficiency and consumer satisfaction. Empowered by our efficient claim review system, we are able to provide smooth consumer experience that reduces frictions and unnecessary delays, and aligns interests and incentives of our members.

### *Enterprise Health Plans*

Enterprise Health Plans offer a comprehensive array of member-oriented health benefits and services, allowing our enterprise clients to select from a pool of different disease coverage, insured amount, geographical coverage, as well as specialized medical services for their employees. As of June 30, 2022, Enterprise Health Plans served 876 enterprise clients in 83 cities across China. Enterprise Health Plans is a group health insurance. The number of our individual members participating in Enterprise Health Plans increased from approximately 9,800 in December 2020 to approximately 138,900 in December 2021, and further to approximately 259,400 in June 2022. In addition to the insurance coverage for medical expenses, critical disease compensation and disability and death compensation, Enterprise Health Plans provide targeted health management solutions according to the employees' health status, occupational characteristics and industry risk factors, thus to meet the health needs of the employees and their families. Our health management services underlying Enterprise Health Plans include, among others, on-site GP service, customized physical examination design, health seminar and first aid training. Please see “Business—Our Services—Health Insurance Services—Our Health Management Network” in this prospectus for more information about our health management service available for members enrolled in Enterprise Health Plans.

Targeting the executives, core technical staff and other key talents of our enterprise clients, we design and offer Premium Health Plans with a more comprehensive, flexible, global coverage to build a high quality service system of “high-end insurance + premium medical care”, helping our enterprise clients attract and retain key talents and enhance company brand. The key features of Premium Health Plans include, (i) global coverage; (ii) flexible choice of medical institutions, including specialized hospitals, international departments of public hospitals, high-end private hospitals and dental clinics; (iii) flexible choice of a variety of optional benefits and a wide coverage over maternity, dental, ophthalmology, vaccine and physical examination; and (iv) direct billing and payment channel through our Health Insurance Services network.

### *Health Insurance Services Pricing and Revenue Recognition*

Insurance brokerage commission is currently the primary source of revenue in our Health Insurance Services business line. We price our health insurance products considering the market condition, the target consumers' income level and our costs, among various other factors. The annual premium of Hui Min Insurance ranges from RMB49 to RMB150, and the annual premium of Enterprise Health Plans for each individual typically ranges from RMB71 to RMB19,242. The total amount of premium we received for insurance products were RMB211.7 million, RMB825.7 million for the years ended December 31, 2020 and 2021, and RMB781.3 million, for the six months ended June 30, 2022, respectively. We typically charge insurance carriers commission from 10% to 30% of the premium, taking into consideration the total number of members enrolled in and total amount of premiums

---

## BUSINESS

---

received for each insurance product. Our commission rate was in line with market practice, as such rate charged for health insurance products by leading insurance brokerage companies in China ranged from 10% to 40% during 2019 to 2021. We recognize the entire amount of commission as our revenue after an insurance policy signed by our members becomes effective, and the insurance carrier underwrites such insurance policy and settles commission with us.

To a much lesser extent in terms of revenue contribution, our Health Insurance Services business derived revenue from health management services provided to insurance carriers and other enterprise clients. Before we expanded our Health Insurance Services business to health insurance plans in late 2019, our Health Insurance Services business line, initially launched in 2018, was primarily providing health management services to insurance carriers and enterprise clients, which is a typical third-party administrator (TPA) service that insurance carriers would seek professional third-party contractors to assist with. As commercial health insurance plans generally offer health management services, such as physical examination, hospital and specialist referral and medical care navigation, insurance carriers outsourced these services to us, as we have strong service capabilities leveraging our health service provider network. For example, we strategically cooperate with many reputable third-party physical examination institutions. When a member of health insurance plans contacts us for physical examination, we recommend the appropriate physical examination institution and physical examination package based on the insurance plan policies, as well as other considerations including such member's gender, age and health condition. We then schedule the physical examination for the member.

Our revenue from insurance brokerage commission was RMB27.4 million in 2020, RMB87.1 million in 2021, and RMB90.5 million in the six months ended June 30, 2022, representing 85.5%, 94.1% and 98.2% of our total revenue from Health Insurance Services business in the relevant periods, respectively. Our revenue from health management services was RMB2.2 million in 2019, RMB4.6 million in 2020, RMB5.5 million in 2021, and RMB1.6 million in the six months ended June 30, 2022, representing 100.0%, 14.5%, 5.9% and 1.8% of our total Health Insurance Services revenue in the relevant periods, respectively.

### ***Source of Health Insurance Services Customers***

We source our Health Insurance Services customers through our business development and marketing efforts, such as promotional activities and advertisements. Particularly for Hui Min Insurance, as we have endeavored to build and maintain a collaborative relationship with local governments, Hui Min Insurance, endorsed by local governments, presented reliability and trustworthiness to our target customers.

### ***Growth Drivers***

First, the market size of commercial health insurance in China experienced a steady growth during the past years, from RMB241.0 billion in 2015 to RMB880.4 billion in 2021, at a CAGR of 24.1%.

Secondly, the Chinese government has issued a series of policies to encourage insurance companies to develop diversified and specialized health insurance products to supplement the national basic medical insurance. For example, the cap on the proportion of health management service costs in total net premium was raised from 12% to 20%, and commercial insurance companies were encouraged to dock its information system with that of privately owned medical institutions, thus to facilitate a one-stop payment settlement system.

Moreover, leveraging our data insights accumulated over the past years, we steadily improved our capabilities to co-design and co-develop differentiated and specialized health insurance products adapt

---

## BUSINESS

---

to market needs, which contributed to our revenue growth in our Health Insurance Services business during the Track Record Period.

### TECHNOLOGY AND DATA

Technology and data are core to our business. We have developed our technology and data infrastructure to enhance our operations and services. Utilizing our expertise and statistics accumulated from our day-to-day operations, our technology and data infrastructure well support our Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services operations.

For our Specialty Pharmacy Business, we, on an as-needed basis, collect and use personal information of patients, including their name, gender, age, mobile number, symptoms, diagnosis and treatment status, purchased drugs, adverse reactions, survival status, medication consultation, and other personal information. These data are mainly collected for the purpose of providing specialty medicines and pharmacist services, or conducting medical statistics and research, and we obtain the patients' written consents before we collect and utilize such information. In addition, to facilitate their payments through insurance, patients may voluntarily provide additional personal information such as insurance application records and the insurance claim settlement records generated in the course of providing services.

For our Physician Research Assistance business, we do not collect or control the personal information of subjects during business operation. When providing SMO services, we are designated by our clients in entering and sorting out the personal information of subjects, such as clinical symptoms, adverse reactions and image reports, provided that such information is directly transmitted and stored in the Electronic Data Capture system, which is a software owned and operated by sponsors to collect and transmit clinical trial data generated from the clinical trials. Accordingly, for our Physician Research Assistance business, we do not control over the personal information of the examinee as we perform data entry according to the instructions of our clients. The data stored in the system is controlled and operated by our clients.

For our Health Insurance Services business, we, on an as-needed basis, collect and use the personal information of our members, including their name, gender, age, mobile number, ID, health conditions, purchased insurance products and other personal information. These data are mainly for the purpose of providing the users with health insurance plan services and health management services. In addition to the information of identity as mentioned above, we also collect information in relation to medical records of our members for the purpose of providing services including advance payment of expenses and settlement of claims.

We invest substantial resources to improve our technology and data infrastructure, strengthen our data processing and analytic capabilities, develop new solutions that are complementary to existing ones and find ways to better serve our members, patients, doctors, pharmaceutical companies, and insurance carriers. Our R&D personnel primarily consist of data engineers, data scientists, software engineers, technology infrastructure architects, health management specialists and actuaries. In addition, our technology team leader has over ten years of experience in the big data field and handled several health management projects sponsored by the national level governmental authorities before joining us.

Our data infrastructure encompasses (i) our data processing capabilities, through which the data are de-identified, cleansed, structuralized and standardized, and (ii) our data analytic capabilities, through which our one business line can leverage the statistics and insights generated from another business line. We are committed to cybersecurity, data security and reliability through our technology and data infrastructure.

---

## BUSINESS

---

The backbone of our technology is our health and medical data processing and analytics capabilities. Health and medical data are generated, collected and stored in various information systems that support our business. We need to aggregate, cleanse, structuralize and standardize these data for analytic through data engineering and other technologies. By aggregating the data in various information systems as the foundation for data processing, we can form a computable database in high quality. Our data processing capabilities deliver high-quality structured and standardized data with speed, accuracy and efficiency. We then generate actionable insights and knowledge through our analytic capabilities to power our healthcare ecosystem.

We utilize statistical approaches to intelligently and automatically find correlations and patterns by analyzing data. Our team of medical experts and data scientists works continually to optimize our proprietary analytical models and improve our analytic capabilities. As we process and analyze more data, we uncover more features from data that are used to further improve our data analytics capabilities with higher accuracy.

### DATA PRIVACY AND SECURITY

We are committed to complying with data privacy laws and protecting the security of the information and privacy of patients and plan members on our platform. We implement a rigorous data privacy and security program to ensure the security, confidentiality and integrity of data that we gain access to and the stability and reliability of the services that we provide. We mainly collect and store the patients' and plan members' medical data generated during our daily operation. Such information is collected and used for our Specialty Pharmacy Business and Health Insurance Services businesses with prior consent through consent forms, application forms or agreements from patients and plan members in accordance with applicable laws and regulations. Our data usage and privacy policy is provided to every user of our website and Weixin official accounts. Specifically, we undertake to manage and use the data collected from patients and plan members in accordance with applicable laws, and make reasonable efforts to prevent the unauthorized use, loss, or leak of personal data and will not disclose personal data to any third party without the patients' or plan members' approval except under legal requirement. For example, we are able to collect massive personal data from our Specialty Pharmacy Business and Health Insurance Services after obtaining consents from patients and plan members, and we have strict internal control system to prevent transfer of such information to any third party.

We use a variety of technologies to protect the data with which we are entrusted. For example, we segregate our internal databases and operating systems from our external-facing services and intercept unauthorized access. We de-sensitize user data by removing personally identifiable information, when such information is not relevant to our business. We encrypt our data transmission, especially user data transmission, using sophisticated security protocols to ensure confidentiality. In addition, we use third-party cybersecurity company to conduct regular penetration test to identify weaknesses in our system and evaluate its security. Whenever an issue is discovered, we take prompt actions to upgrade our system and mitigate any potential problems that may undermine the security of our system.

We take comprehensive security precautions to ensure the stability and security of our data infrastructure. We back up all our operating data on a regular basis offline and in separate and various secured data back-up systems to minimize the risk of data loss or leakage. We have a detailed protocol for operation and maintenance management, monitor and alert mechanisms, network security management and disaster recovery. Our database can only be accessed by certain designated and authorized personnel after assessment and approval procedures, whose actions are recorded and monitored. We provide data privacy training to authorized personnel and require them to report any information security breach. In addition, our maintenance team closely and constantly monitors for



---

## BUSINESS

---

common technical issues and the usage of resources such as central processing units and memory, and alerts our technical team of unusual technical difficulties. We deploy firewalls to effectively safeguard against hackers and other security attacks.

We believe our policies and practice with respect to data privacy and security are in compliance with applicable laws and with prevalent industry practice. During the Track Record Period and up to the Latest Practicable Date, we have not received any claim from any third party against us on the ground of infringement of such party's right to data protection as provided by the PRC Civil Code Law or any applicable laws and regulations in the PRC. During the same period, we were not subject to any administrative penalties due to violation of applicable data protection and privacy laws and regulations in China.

### CYBERSECURITY

The CAC promulgated the Regulation on the Administration of Cyber Data Security (Draft for Comments), or the Draft Cyber Data Security Regulation on November 14, 2021, according to which data processors shall apply for cyber security review when carrying out activities including (i) seeking to be listed in Hong Kong that affect or may affect national security, and (ii) other data processing activities that affect or may affect national security. However, the Draft Cyber Data Security Regulation provided no further explanation or interpretation for "affect or may affect national security". As of the Latest Practicable Date, the Draft Cyber Data Security Regulation had not been formally adopted yet. As of the Latest Practicable Date, (i) we had implemented effective cybersecurity and data protection policies, procedures, and measures to ensure secured storage and transmission of data and prevent unauthorized access or use of data; (ii) we had not been subject to any fines or administrative penalties, mandatory rectifications, or other sanctions by any competent authorities in relation to the infringement of cybersecurity and data protection laws and regulations; and there is no material leakage of data or personal information or violation of cybersecurity and data protection and privacy laws and regulations by us which will have a material adverse impact on our business operations; (iii) we had not been involved in any investigations on cybersecurity review initiated by the CAC, nor had we received any inquiry, notice, warning, or sanctions in such respect; (iv) we will continuously pay close attention to the legislative and regulatory development in cybersecurity and data protection, maintain ongoing communication with relevant government authorities and implement all necessary measures in a timely manner to ensure continuous compliance with relevant laws and regulations; and (v) we did not foresee any material impediment for us to comply with all the applicable obligations pursuant to the current Draft Cyber Data Security Regulation. Taking into account the above, we believe that we had not engaged in any data processing activities that affect or may affect national security, and if the Draft Cyber Data Security Regulation were implemented in its current form in the future, the Draft Cyber Data Security Regulation is not expected to have any material adverse impact on our Listing or business operations.

Pursuant to the Measures for Cyber Security Reviews (2021) (《網絡安全審查辦法》(2021)) or the MCSR, which became effective on February 15, 2022, an enterprise is required to submit an application for cybersecurity review under two major circumstances: (i) critical information infrastructure operators that intend to purchase internet products and services and online platform operators engaging in data processing activities, that affect or may affect national security; and (ii) online platform operator which possesses personal information of over one million users and intends to "list abroad" (國外上市). Article 10 of the MCSR further elaborates on the factors to be considered when assessing national security risks of the relevant objects or situations, see "Regulatory Overview-Regulations relating to Internet Security" for more details. As of the Latest Practicable Date, (i) we do not conduct business activities that may involve with critical information infrastructure

---

## BUSINESS

---

services, and had not been recognized by any governmental authorities as a “critical information infrastructure operator” or an “online platform operator”; (ii) we do not carry out business outside the PRC, nor do we provide or transmit any personal information or data outside the PRC; (iii) we have adopted strict protection measures to safeguard our data and systems from third party attacks and hacking, and had not experienced any material data security incident; (iv) we had not been involved in any investigations on cybersecurity review by the CAC, or received any inquiry, notice, warning, or sanctions in such respect; and (v) we undertake that if any of our activities is subject to the cybersecurity review in the future, we will actively cooperate with the CAC to conduct such cybersecurity review. Considering the factors as set forth in Article 10 of the MCSR and taking into account the above and the verbal consultation with the CCRTCC as described below, we believe that we had not engaged in any data processing activities that affect or may affect national security, and the MCSR will not have any material adverse impact on our Listing or business operations.

As of the Latest Practicable Date, we possessed personal information of over one million users. However, according to the verbal consultation with the China Cybersecurity Review Technology and Certification Center (the “CCRTCC”, being the department responsible for accepting applications for cybersecurity review under the guidance of the Office of Cyber Security Review which was established under the CAC in accordance with the MCSR) conducted by our PRC Legal Adviser and the PRC legal advisers to the Joint Sponsors on February 22, 2022 (after the MCSR became effective on February 15, 2022), the CCRTCC advised that the requirement under Article 7 of MCSR that “online platform operator which possesses personal information of over one million users and intends to “list abroad” (國外上市) is subject to cybersecurity review” does not apply to a listing in Hong Kong, and we are not requested to proactively submit an application for cybersecurity review for our listing in Hong Kong. The CCRTCC further advised that it could not give a clear official interpretation to the provisions of the Draft Cyber Data Security Regulation, and advised that the Company does not need to apply for cyber security review pursuant to the Draft Cyber Data Security Regulation since such regulation has not become effective yet.

### **BUSINESS DEVELOPMENT AND MARKETING**

We design our business development and marketing strategy to expand our brand recognition, build strong customer loyalty and develop incremental revenue opportunities. Led by our management, we are dedicated to the maintenance and management of cooperation with medical institutions, doctors and pharmaceutical companies.

In the same time, we regularly conduct marketing, promotional and educational activities addressing all participants in the healthcare and insurance industry—including medical institutions, pharmaceutical companies, insurance carriers, enterprise clients, doctors and plan members—to increase our exposure and demonstrate the quality and differentiating value propositions of our services. Leveraging our cooperation with various local governments and leading health insurance carriers, we advertise our health insurance plans and health management services underlying these plans offered by our Health Insurance Services through online and offline channels and have attracted significant customer attention, especially when we launch our insurance plans into new cities.

Moreover, as our three business lines, Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services reinforce each other and form a virtuous cycle and symbiotic ecosystem, business opportunities and customer traffic can be directed from one business line to another. As we empower doctors in their patient management and scientific research through our Specialty Pharmacy Business and Physician Research Assistance, it is expected that referrals from doctors will contribute to the expansion of our Specialty Pharmacy Business and Health Insurance Services customer base. In

---

## BUSINESS

---

turn, references from doctors in our Health Insurance Services network is expected to be an important customer source of Specialty Pharmacy Business.

### COMPETITION

We believe our business model is unique and our services empower the entire health management value chain. We face competition in certain aspects of our business. Our ability to compete effectively depends on our unique and holistic health management system to serve and connect all key participants in the industry, empowering them from an integrated perspective. Many factors contribute to our competitiveness, including the understanding of increasing healthcare needs, quality, breadth and depth of our service and product offerings, our integrated marketing efforts, our pricing competitiveness, customer experience on our platform, our ability to form and retain a closed-loop business model, our technological capabilities and data insights, our partnership with industry participants, and the strength and reputation of our brand.

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

### HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We do not operate any production facilities, and our business does not involve significant occupational, health, safety and environmental matters. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material occupational, health, safety or environmental incidents. We have formulated and implemented various workplace safety policies and procedures to ensure that our employees have a safe working environment. During the Track Record Period and up to the Latest Practicable Date, none of our employees were involved in any major accidents in their workplaces. For our specialty pharmacy business, we have in-house delivery personnel in each pharmacy store to deliver specialty medicines to patients, so to closely monitor and mitigate the health and safety risks inherent in the delivery process. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental laws or regulations.

### CORPORATE SOCIAL RESPONSIBILITY

Since inception, we have been highly committed to sustainable corporate social responsibilities. We participated in the execution of medicine donation charity programs since 2018, through which we have assisted patients to successfully apply for high-value innovative drugs treating cancers and other critical diseases. This reflects our long-held belief that the best approach to corporate social responsibility is through embedding elements of social responsibility in our business operation.

We have adopted stringent internal policies and measures to prevent over-prescription and mis-prescription. We adopt a dual-pharmacist verification system to ensure that prescriptions submitted to our pharmacies comply with the relevant rules and regulations. Our pharmacists verify the prescriptions according to the applicable regulations, rules and protocols. Particularly, they will check the consistency between diagnosis and prescription, correctness of dosage, administration method, course of treatment, and any drug interaction and potential compatibility contraindications, among others. If our pharmacists find any prescription is irregular or unsuitable, they will return the prescription to the patients.

**CUSTOMERS**

We have a broad base of customers. Our top customers are primarily pharmaceutical companies for our Specialty Pharmacy Business and Physician Research Assistance business, and insurance carriers for our Health Insurance Services business. For each of the years ended December 31, 2019, 2020 and 2021, and for the six months ended June 30, 2022, our top five customers accounted for 8.4%, 6.3%, 5.4% and 7.3% of our total revenue, respectively. Revenue from our largest customer accounted for 3.9%, 1.6%, 1.5% and 2.4% of our total revenue during each of these periods.

**Pricing**

We design our pricing strategies based on the particular features of each of our Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services business lines. For Specialty Pharmacy Business, we price medicines taking into consideration various factors including product category, market demand and competition, procurement price, marketing strategy, as well as the pricing terms of supply agreements with pharmaceutical manufacturers and distributors. For those medicines that are included in the National Reimbursement Drug List, we price them according to the relevant prices set by the regulators. We did not see any substantial impact of regulatory pricing restrictions on our sales volume or gross margin during the Track Record Period. For SMO, we charge service fees based on our workload, which primarily depends on the phase of clinical trials, and the number of trial sites and participants. For RWS, we charge service fee based on the scope of data to follow and collect, as well as the complexity of services including whether our supplemental software and technology platform are required and used. For Health Insurance Services, we price our health insurance plans leveraging our data insights and in-house data analytics and actuarial capabilities. Particularly for Hui Min Insurance, we also take into consideration the local population's health and medical data in each city where we launched this product.

**Key Contractual Terms of Medicine Sales Agreements**

Set forth below is a summary of typical sales agreement that we enter into with our Specialty Pharmacy Business customers of our medication distribution business, namely pharmaceutical distributors and pharmaceutical companies.

- *Term.* Typically two years, during which our customers can place orders when needed. Renewal of sales agreement generally requires negotiation and mutual agreement.
- *Termination.* Termination of sales agreements generally requires mutual consents.
- *Pricing.* A fixed sales price is stipulated in the agreement. No minimum purchase commitment is required.
- *Credit Term.* We generally grant our customers credit terms of around one month.
- *Payment.* We typically settle payments with our customers once a month.

**Key Contractual Terms of SMO Service Agreements**

Set forth below is a summary of typical service agreement that we enter into with our SMO clients.

- *Service Scope.* The service scope of an SMO service agreement typically includes pre-clinical trial preparation and clinical trial execution. Specifically, pre-clinical trial preparation includes project feasibility study assistance and project approval application. Clinical trial execution includes trial site launch, participants recruitment, screen and enrollment, on-site management of participants, data and files, drugs and bio-samples, and site closure.

---

## BUSINESS

---

- *Term.* Typically three to five years, which may be adjusted according to the progress of the clinical trials.
- *Termination.* Termination of SMO service agreements generally requires one month notice upon mutual consents.
- *Payment.* Our clients typically pay us up to 30% of the total service fee upon signing the service contract, accumulatively 15% to 45% upon trial site launch, accumulatively 60% to 80% upon participants enrollment, accumulatively 85% to 95% upon completion of participants follow-up, and accumulatively 100% upon site closure. We typically settle payments with our clients upon achievement of trial phase milestone.

### **Key Contractual Terms of RWS Service Agreements**

Set forth below is a summary of typical service agreement that we enter into with our RWS clients.

- *Service Scope.* The service scope typically includes launch of trial sites or study centers, project approval application assistance, participants recruitment, screen and enrollment, participants and trial site/study centers follow-up, management of participants, trial or study data and files, drugs and bio-samples, and closure of trial sites or study centers.
- *Term.* Typically one to three years, which may be adjusted according to the progress of the clinical trial or study project.
- *Termination.* Termination of RWS service agreements generally requires one or two month prior notice.
- *Payment.* Our clients typically pay us approximately 20% - 30% of the total service fee upon signing the service agreement, accumulatively approximately 80% - 95% upon achievement of different project milestones such as trial site launch, participants enrollment, completion of participants follow-up and site closure, and accumulatively 100% upon delivery of study materials to clients. We typically settle payments with our clients upon achievement of trial phase or study project milestone.

### **Key Contractual Terms of Insurance Brokerage Agreements**

Set forth below is a summary of typical insurance brokerage agreement that we enter into with our Health Insurance Services customers.

- *Term.* Typically one to three years, and renewal of brokerage agreements generally requires one month notice.
- *Termination.* Termination of brokerage agreements is generally conditioned upon mutual consents.
- *Pricing.* A fix commission rate is stipulated in the agreement.
- *Payment.* Insurance brokerage commission is typically settled after confirmation of total number of members enrolled in and total amount of premiums received for each insurance product.

### **Key Contractual Terms of Health Management Service Agreements**

Set forth below is a summary of typical health management service agreement that we entered into with our Health Insurance Services customers.

- *Term.* Typically one year, and automatically renewable for one to three years on a yearly basis, unless terminated by either party.

---

## BUSINESS

---

- *Termination.* Termination is generally conditioned upon mutual consents.
- *Pricing.* A fixed fee for each specific service, such as specialist referral and medical care navigation, is stipulated in the agreement.
- *Payment.* Customers typically deposit a prepayment service fee following receipt of our invoice, and we deduct our service fee from the prepayment upon each provision of health management service. If the prepayment is fully deducted and customers fail to make further prepayment, we can suspend our service. Following the termination of service agreement, we will remit the prepayment balance to our customers.

### Major Customers

#### *Specialty Pharmacy Business*

Our Specialty Pharmacy Business customers consist of individual patients that purchase medicines at our specialty pharmacies, and pharmaceutical distributors and pharmaceutical companies that procure medication from Guangdong Dahui. During the Track Record Period, a substantial portion of our Specialty Pharmacy Business revenue was generated by medication retail sales to individual patients. For the years ended December 31, 2019, 2020 and 2021, and for the six months ended June 30, 2022, the number of purchase orders placed by individual patients was approximately 0.17 million, 0.37 million, 0.49 million and 0.31 million, respectively. As Guangdong Dahui has obtained the first level distribution right for certain medication from pharmaceutical manufacturers, other pharmaceutical distributors and pharmaceutical companies procure such medication from us and became our institutional customers. For the years ended December 31, 2019, 2020 and 2021, and for the six months ended June 30, 2022, the number of institutional customers of our medication distribution business was 21, 79, 87 and 73, respectively. Our top five Specialty Pharmacy Business customers during the Track Record Period were our institutional customers, namely pharmaceutical distributors and pharmaceutical companies, because revenue from sales to these companies were much higher than that to an individual patient, whose annual expense on specialty medicines typically ranged from RMB50,000 to RMB300,000. For each of the years ended December 31, 2019, 2020 and 2021, and for the six months ended June 30, 2022, our top five customers in Specialty Pharmacy Business accounted for 2.5%, 4.1%, 4.1% and 3.7% of our total revenue, respectively. Revenue from our largest Specialty Pharmacy Business customer accounted for 1.1%, 1.5%, 1.5% and 2.4% of our total revenue during each of these periods.

## BUSINESS

The table below sets forth the basic information of our top five Specialty Pharmacy Business customers during the Track Record Period. As consents of our top five customers and suppliers are not obtained, their identities are not disclosed in this prospectus.

<u>Customer</u>	<u>Product or Service Provided For 2019</u>	<u>Length of Relationship</u>	<u>Revenue</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Revenue</u>
Company A, a Chinese state-owned pharmaceutical distribution company . . . . .	Medication	Since May 2019	11,604	1.1%
Company F, a Chinese state-owned pharmaceutical distribution company . . . . .	Medication	Since November 2019	9,683	0.9%
Company R, a Chinese-foreign joint venture pharmaceutical company . . . . .	Medication	Since October 2019	3,454	0.3%
Company S, a Chinese chain pharmacy store company . . . . .	Medication	Since August 2019	1,016	0.1%
Company T, a Chinese pharmaceutical distribution company . . . . .	Medication	Since July 2019	555	0.1%
<b>Total</b> . . . . .			<b><u>26,312</u></b>	<b><u>2.5%</u></b>

<u>Customer</u>	<u>Product or Service Provided For 2020</u>	<u>Length of Relationship</u>	<u>Revenue</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Revenue</u>
Company A, a Chinese state-owned pharmaceutical distribution company . . . . .	Medication	Since May 2019	41,050	1.5%
Company U, a Chinese public pharmaceutical company . . . . .	Medication	Since September 2020	26,761	1.0%
Company N, a Chinese public pharmaceutical company . . . . .	Medication	Since January 2020	18,584	0.7%
Company V, a Chinese pharmaceutical distribution company . . . . .	Medication	Since March 2020	12,274	0.5%
Company W, a Chinese pharmaceutical distribution company . . . . .	Medication	Since February 2020	11,894	0.4%
<b>Total</b> . . . . .			<b><u>110,563</u></b>	<b><u>4.1%</u></b>

## BUSINESS

<u>Customer</u>	<u>Product or Service Provided For 2021</u>	<u>Length of Relationship</u>	<u>Revenue</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Revenue</u>
Company A, a Chinese state-owned pharmaceutical distribution company . . . . .	Medication	Since May 2019	51,899	1.5%
Company Y, a Chinese pharmaceutical distribution company . . . . .	Medication	Since September 2021	26,787	0.8%
Company X, a Chinese public pharmaceutical company . . . . .	Medication	Since May 2021	25,095	0.7%
Company Z, a Chinese pharmaceutical and medical device distribution company . . . . .	Medication	Since November 2021	20,606	0.6%
Company U, a Chinese public pharmaceutical company . . . . .	Medication	Since September 2020	15,652	0.5%
<b>Total</b> . . . . .			<b><u>140,039</u></b>	<b><u>4.1%</u></b>

<u>Customer</u>	<u>Product or Service Provided For Six Months Ended June 30, 2022</u>	<u>Length of Relationship</u>	<u>Revenue</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Revenue</u>
Company Z, a Chinese pharmaceutical and medical device distribution company . . . . .	Medication	Since November 2021	45,667	2.4%
Company AA, a Chinese public pharmaceutical company . . . . .	Medication	Since February 2021	7,037	0.4%
Company U, a Chinese public pharmaceutical company . . . . .	Medication	Since September 2020	6,296	0.3%
Company A, a Chinese state-owned pharmaceutical distribution company . . . . .	Medication	Since May 2019	5,994	0.3%
Company N, a Chinese public pharmaceutical company . . . . .	Medication	Since January 2020	5,504	0.3%
<b>Total</b> . . . . .			<b><u>70,498</u></b>	<b><u>3.7%</u></b>

### ***Physician Research Assistance***

For each of the years ended December 31, 2019, 2020 and 2021, and for the six months ended June 30, 2022, the number of our customers in Physician Research Assistance business was 172, 216, 272 and 289, respectively, and our top five customers in Physician Research Assistance business accounted for 7.5%, 3.6%, 3.3% and 3.5% of our total revenue, respectively. Revenue from our largest Physician Research Assistance customer accounted for 3.9%, 1.6%, 1.2% and 1.2% of our total revenue during each of these periods.



## BUSINESS

The table below sets forth the basic information of our top five Physician Research Assistance customers during the Track Record Period.

<u>Customer</u>	<u>Product or Service Provided For 2019</u>	<u>Length of Relationship</u>	<u>Revenue</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Revenue</u>
Company J, a Chinese public pharmaceutical company . .	SMO	Since August 2017	40,750	3.9%
Company G, a Chinese public pharmaceutical company . .	SMO	Since June 2017	20,209	1.9%
Company N, a Chinese public pharmaceutical company . .	SMO	Since September 2017	6,687	0.6%
Company K, a Chinese public pharmaceutical company . .	SMO	Since January 2017	6,076	0.6%
Company O, a Chinese public pharmaceutical company . .	SMO	Since March 2018	<u>5,376</u>	<u>0.5%</u>
<b>Total</b> . . . . .			<u><u>79,098</u></u>	<u><u>7.5%</u></u>

<u>Customer</u>	<u>Product or Service Provided For 2020</u>	<u>Length of Relationship</u>	<u>Revenue</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Revenue</u>
Company J, a Chinese public pharmaceutical company . .	SMO	Since August 2017	42,011	1.6%
Company G, a Chinese public pharmaceutical company . .	SMO	Since June 2017	26,432	1.0%
Company N, a Chinese public pharmaceutical company . .	SMO	Since September 2017	9,581	0.4%
Company P, a Chinese public pharmaceutical company . .	SMO	Since May 2018	7,559	0.3%
Company K, a Chinese public pharmaceutical company . .	SMO	Since January 2017	<u>7,314</u>	<u>0.3%</u>
<b>Total</b> . . . . .			<u><u>92,897</u></u>	<u><u>3.6%</u></u>

<u>Customer</u>	<u>Product or Service Provided For 2021</u>	<u>Length of Relationship</u>	<u>Revenue</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Revenue</u>
Company G, a Chinese public pharmaceutical company . .	SMO	Since June 2017	42,072	1.2%
Company J, a Chinese public pharmaceutical company . .	SMO	Since August 2017	38,229	1.1%
Company Q, a Chinese foreign-invested pharmaceutical company . .	SMO	Since April 2017	13,085	0.4%
Company N, a Chinese public pharmaceutical company . .	SMO	Since September 2017	10,866	0.3%
Company K, a Chinese public pharmaceutical company . .	SMO	Since January 2017	<u>10,749</u>	<u>0.3%</u>
<b>Total</b> . . . . .			<u><u>115,001</u></u>	<u><u>3.3%</u></u>

## BUSINESS

<u>Customer</u>	<u>Product or Service Provided For Six Months Ended June 30, 2022</u>	<u>Length of Relationship</u>	<u>Revenue</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Revenue</u>
Company G, a Chinese public pharmaceutical company . .	SMO	Since June 2017	22,495	1.2%
Company J, a Chinese public pharmaceutical company . .	SMO	Since August 2017	20,642	1.1%
Company K, a Chinese public pharmaceutical company . .	SMO	Since January 2017	8,145	0.4%
Company Q, a Chinese foreign-invested pharmaceutical company . .	SMO	Since April 2017	7,601	0.4%
Company M, a Chinese private pharmaceutical company . . . . .	SMO	Since September 2021	<u>7,368</u>	<u>0.4%</u>
<b>Total</b> . . . . .			<u><b>66,251</b></u>	<u><b>3.5%</b></u>

### *Health Insurance Services*

For each of the years ended December 31, 2019, 2020 and 2021, and for the six months ended June 30, 2022, the number of our customers in Health Insurance Services business was 11, 33, 61 and 59, respectively, and our top five customers in Health Insurance Services business accounted for 0.2%, 1.0%, 1.9% and 3.9% of our total revenue, respectively. Revenue from our largest Health Insurance Services customer accounted for 0.1%, 0.3%, 0.6% and 1.6% of our total revenue during each of these periods.

The table below sets forth the basic information of our top five Health Insurance Services customers during the Track Record Period. We started our Health Insurance Services business in 2018, primarily providing third-party health management services to insurance carriers and other enterprise clients. In late 2019, we launched our first health insurance plan, and insurance brokerage commission became our primary source of revenue of Health Insurance Services business line since 2020.

<u>Customer</u>	<u>Product or Service Provided For 2019</u>	<u>Length of Relationship</u>	<u>Revenue</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Revenue</u>
Company 1, a Chinese life and health insurance company . . . . .	Health Management	Since February 2019	869	0.08%
Company 2, a Chinese state-owned life insurance company . . . . .	Health Management	Since July 2019	700	0.07%
Company 3, a Chinese insurance company . . . . .	Health Management	Since April 2019	489	0.05%
Company 4, a Chinese life insurance company . . . . .	Health Management	Since May 2019	107	0.01%
Company 5, a Chinese state-owned insurance company . . . . .	Health Management	Since May 2019	<u>28</u>	<u>0.003%</u>
<b>Total</b> . . . . .			<u><b>2,193</b></u>	<u><b>0.2%</b></u>

## BUSINESS

<u>Customer</u>	<u>Product or Service Provided For 2020</u>	<u>Length of Relationship</u>	<u>Revenue</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Revenue</u>
Company 6, a Chinese state-owned life insurance company . . . . .	Insurance Brokerage	Since November 2020	7,831	0.3%
Company 3, a Chinese insurance company . . . . .	Insurance Brokerage	Since April 2019	7,546	0.3%
Company 7, a Chinese state-owned insurance company . . . . .	Insurance Brokerage	Since September 2020	5,684	0.2%
Company 5, a Chinese state-owned insurance company . . . . .	Insurance Brokerage	Since May 2019	2,271	0.1%
Company 2, a Chinese state-owned life insurance company . . . . .	Insurance Brokerage	Since July 2019	<u>1,927</u>	<u>0.1%</u>
<b>Total</b> . . . . .			<u><b>25,259</b></u>	<u><b>1.0%</b></u>

<u>Customer</u>	<u>Product or Service Provided For 2021</u>	<u>Length of Relationship</u>	<u>Revenue</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Revenue</u>
Company 5, a Chinese state-owned insurance company . . . . .	Insurance Brokerage	Since May 2019	22,569	0.6%
Company 6, a Chinese state-owned life insurance company . . . . .	Insurance Brokerage	Since November 2020	19,348	0.6%
Company 3, a Chinese insurance company . . . . .	Insurance Brokerage	Since April 2019	13,080	0.4%
Company 7, a Chinese state-owned insurance company . . . . .	Insurance Brokerage	Since September 2020	6,596	0.2%
Company 8, a Chinese life insurance company . . . . .	Insurance Brokerage	Since October 2020	<u>5,117</u>	<u>0.1%</u>
<b>Total</b> . . . . .			<u><b>66,710</b></u>	<u><b>1.9%</b></u>

<u>Customer</u>	<u>Product or Service Provided For Six Months Ended June 30, 2022</u>	<u>Length of Relationship</u>	<u>Revenue</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Revenue</u>
Company 5, a Chinese state-owned insurance company . . . . .	Insurance Brokerage	Since May 2019	30,507	1.6%
Company 6, a Chinese state-owned life insurance company . . . . .	Insurance Brokerage	Since November 2020	19,032	1.0%
Company 3, a Chinese insurance company . . . . .	Insurance Brokerage	Since April 2019	13,696	0.7%
Company 7, a Chinese state-owned insurance company . . . . .	Insurance Brokerage	Since September 2020	5,705	0.3%
Company 2, a Chinese state-owned life insurance company . . . . .	Insurance Brokerage	Since July 2019	<u>4,777</u>	<u>0.3%</u>
<b>Total</b> . . . . .			<u><b>73,717</b></u>	<u><b>3.9%</b></u>

None of our Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our top five customers in any of our three business lines during the Track Record Period.

---

## BUSINESS

---

### SUPPLIERS

Our top suppliers are primarily pharmaceutical manufacturers and distributors for our Specialty Pharmacy Business. Suppliers of our Health Insurance Services business are mainly companies providing business promotion and fee processing services to us. Since we provide professional services by ourselves in our Physician Research Assistance business line, we do not need third party suppliers.

For the year ended December 31, 2021 and for the six months ended June 30, 2022, we partnered with over 550 reputable manufacturers or distributors, among which we typically had more than three years of collaboration with our medication suppliers.

### Procurement

We generally select leading pharmaceutical manufacturers and distributors to ensure the product quality. Before engaging a new supplier, our procurement team pre-screens supplier candidates based on their certificates, qualifications and reputation. Subsequently, our responsible managers reviews these pre-screening results and conduct background checks. We only partner with selected suppliers that pass our screenings and inspections. See also “Business—Risk Management and Internal Control—Product Quality and Safety” in this prospectus.

Our procurement process is as below:



We had established an experienced procurement team taking charge of purchasing selection and supply chain management. We select our product portfolio considering the brand and reputation of pharmaceutical manufacturers, market acceptance and doctor recognition. We also monitor our sales and inventory, procure products based on our inventory level, and manage our supply chain through communication with our suppliers on a regular basis. Our suppliers are in charge of the logistics of medicines to our pharmacy stores and our warehouse.

### Key Contractual Terms of Medication Supply Agreements

Set forth below is a summary of typical supply agreement that we enter into with our Specialty Pharmacy Business suppliers.

- *Term.* Typically one year, during which we can place orders when needed. Renewal of supply agreement generally requires negotiation and mutual agreement.
- *Termination.* Termination of supply agreements generally requires mutual consents.
- *Pricing.* A fixed purchase price is stipulated in the agreement. No minimum purchase commitment is required.
- *Credit Term.* Our suppliers generally grant us credit terms of one to three months.
- *Payment.* We typically settle payments with our suppliers once a month. We do not receive rebate from our suppliers.

## BUSINESS

### Major Suppliers

#### *Specialty Pharmacy Business*

For each of the years ended December 31, 2019, 2020 and 2021, and for the six months ended June 30, 2022, our top five Specialty Pharmacy Business suppliers accounted for 70.5%, 70.5%, 71.9% and 73.5% of our total purchases, respectively. Purchases from our largest Specialty Pharmacy Business supplier accounted for 27.6%, 32.1%, 37.2% and 39.1% of our total purchases during each of these periods. As our Specialty Pharmacy Business focuses on specialty medicines which are typically distributed by large pharmaceutical companies, we rely on limited suppliers for the provision of specialty medicines.

The table below sets forth the basic information of our top five Specialty Pharmacy Business suppliers during the Track Record Period.

<u>Supplier</u>	<u>Product Supplied for 2019</u>	<u>Length of Relationship</u>	<u>Purchase Amount</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Purchases</u>
Company F, a Chinese state-owned pharmaceutical company .....	Medication	Since April 2018	285,914	27.6%
Company A, a Chinese state-owned pharmaceutical distribution company .....	Medication	Since October 2017	220,450	21.3%
Company G, a Chinese public pharmaceutical company .....	Medication	Since March 2019	95,400	9.2%
Company H, a Chinese state-owned pharmaceutical company .....	Medication	Since July 2018	77,561	7.5%
Company E, a Chinese public pharmaceutical company .....	Medication	Since February 2018	50,653	4.9%
<b>Total</b> .....			<b><u>729,978</u></b>	<b><u>70.5%</u></b>

<u>Supplier</u>	<u>Product Supplied for 2020</u>	<u>Length of Relationship</u>	<u>Purchase Amount</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Purchases</u>
Company F, a Chinese state-owned pharmaceutical company .....	Medication	Since April 2018	866,300	32.1%
Company A, a Chinese state-owned pharmaceutical distribution company .....	Medication	Since October 2017	446,689	16.5%
Company G, a Chinese public pharmaceutical company .....	Medication	Since March 2019	320,588	11.9%
Company H, a Chinese state-owned pharmaceutical company .....	Medication	Since July 2018	177,275	6.6%
Company B, a Chinese public pharmaceutical company .....	Medication	Since April 2018	92,491	3.4%
<b>Total</b> .....			<b><u>1,903,343</u></b>	<b><u>70.5%</u></b>

## BUSINESS

<u>Supplier</u>	<u>Product Supplied for 2021</u>	<u>Length of Relationship</u>	<u>Purchase Amount</u>	<u>Percentage of Total Purchases</u>
			<i>(RMB in thousands)</i>	
Company F, a Chinese state-owned pharmaceutical company . . . . .	Medication	Since April 2018	1,244,490	37.2%
Company A, a Chinese state-owned pharmaceutical distribution company . . . . .	Medication	Since October 2017	769,485	23.0%
Company H, a Chinese state-owned pharmaceutical company . . . . .	Medication	Since July 2018	223,345	6.7%
Company G, a Chinese public pharmaceutical company . . . . .	Medication	Since March 2019	88,036	2.6%
Company I, a Chinese public pharmaceutical company . . . . .	Medication	Since April 2018	78,751	2.4%
<b>Total</b> . . . . .			<b><u>2,404,107</u></b>	<b><u>71.9%</u></b>

<u>Supplier</u>	<u>Product Supplied For Six Months Ended June 30, 2022</u>	<u>Length of Relationship</u>	<u>Purchase Amount</u>	<u>Percentage of Total Purchases</u>
			<i>(RMB in thousands)</i>	
Company F, a Chinese state-owned pharmaceutical company . . . . .	Medication	Since April 2018	679,209	39.1%
Company A, a Chinese state-owned pharmaceutical distribution company . . . . .	Medication	Since October 2017	382,793	22.0%
Company H, a Chinese state-owned pharmaceutical company . . . . .	Medication	Since July 2018	131,498	7.6%
Company AA, a Chinese private pharmaceutical and medical device distribution company . . . . .	Medication	Since November 2021	43,230	2.5%
Company I, a Chinese public pharmaceutical company . . . . .	Medication	Since April 2018	39,104	2.3%
<b>Total</b> . . . . .			<b><u>1,275,834</u></b>	<b><u>73.5%</u></b>

We rely on a limited number of state-owned distributors as suppliers of medication, which is a common practice for the specialty pharmacy business in China. Since the drug distribution industry in China is highly concentrated, with the top three state-owned drug distributors taking an aggregate market share of over 40% in the entire drug distribution market. According to CIC, the specialty pharmacy industry peers also select only a few leading distributors as their upstream suppliers, particularly those state-owned distributors including Sinopharm, China Resources Pharmaceutical and Shanghai Pharmaceutical. However, as their distribution rights are generally not exclusive, we believe we have sufficient alternative suppliers for pharmaceutical products that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage or delay in supply of the products we sourced from our suppliers. Our pharmacy management system is able to adjust inventory level based on key factors including sales, product mix and patients medical situation.

## BUSINESS

### *Health Insurance Services*

We started to operate our Health Insurance Services business in 2018. The table below sets forth the basic information of the Company's top five Health Insurance Services suppliers during the Track Record Period.

<u>Supplier</u>	<u>Service Supplied For 2020</u>	<u>Length of Relationship</u>	<u>Purchase Amount</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Purchases</u>
Company I, a Chinese media company . . . . .	Business Promotion	Since December 2019	2,511	0.09%
Company II, a Chinese payment technology company . . . . .	Fee Processing	Since December 2019	1,759	0.07%
Company III, a Chinese advertising company . . . . .	Business Promotion	Since December 2019	1,580	0.06%
Company IV, a Chinese media company . . . . .	Business Promotion	Since September 2020	1,476	0.05%
Company V, a Chinese media company . . . . .	Business Promotion	Since December 2019	<u>1,014</u>	<u>0.04%</u>
<b>Total</b> . . . . .			<u><b>8,340</b></u>	<u><b>0.31%</b></u>

<u>Supplier</u>	<u>Service Supplied For 2021</u>	<u>Length of Relationship</u>	<u>Purchase Amount</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Purchases</u>
Company VII, a Chinese big data infrastructure company . . . . .	Business Promotion	Since July 2021	5,294	0.16%
Company II, a Chinese payment technology company . . . . .	Fee Processing	Since December 2019	3,682	0.11%
Company VI, a Chinese culture communication company . . . . .	Business Promotion	Since March 2021	2,534	0.08%
Company VIII, a Chinese culture and media company . . . . .	Business Promotion	Since October 2020	972	0.03%
Company IX, a Chinese advertising company . . . . .	Business Promotion	Since August 2020	<u>949</u>	<u>0.03%</u>
<b>Total</b> . . . . .			<u><b>13,431</b></u>	<u><b>0.41%</b></u>

<u>Supplier</u>	<u>Service Supplied For Six Months Ended June 30, 2022</u>	<u>Length of Relationship</u>	<u>Purchase Amount</u> <i>(RMB in thousands)</i>	<u>Percentage of Total Purchases</u>
Company II, a Chinese payment technology company . . . . .	Fee Processing	Since December 2019	3,780	0.22%
Company VI, a Chinese culture communication company . . . . .	Business Promotion	Since March 2021	2,846	0.16%
Company IV, a Chinese media company . . . . .	Business Promotion	Since September 2020	1,050	0.06%
Company XIV, a Chinese public relation consulting company . . . . .	Business Promotion	Since March 2022	968	0.06%
Company X, a Chinese broadcast media company . . . . .	Business Promotion	Since October 2020	<u>806</u>	<u>0.05%</u>
<b>Total</b> . . . . .			<u><b>9,450</b></u>	<u><b>0.55%</b></u>

As of the Latest Practicable Date, Tencent Mobility, a wholly-owned subsidiary of Tencent, and TPP Follow-on, controlled by Tencent, collectively owned approximately 27.77% of the Shares of our

---

## BUSINESS

---

Company. As of the Latest Practicable Date, Company II was controlled by Tencent. Also see “Connected Transactions—Summary of Our Continuing Connected Transactions—(1) Payment Services Framework Agreement” in this prospectus.

Except as disclosed above, none of our Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our top five suppliers in either our Specialty Pharmacy Business or Health Insurance Services business line during the Track Record Period.

### **Overlapping of Suppliers and Customers**

We had suppliers that were also our customers during the Track Record Period.

Company A purchased from Guangdong Dahui medication with product categories different from those it supplied to us during the Track Record Period, and was among our top five largest customers for the years ended December 31, 2019, 2020 and 2021. Our total sales to Company A were RMB11.6 million, RMB41.1 million, RMB51.9 million and RMB6.0 million, and our total purchases from Company A were RMB220.5 million, RMB446.7 million, RMB769.5 million and RMB382.8 million for the years ended December 31, 2019, 2020 and 2021, and for the six months ended June 30, 2022, respectively. For the same reason, Company F was among our top five customers for the year ended December 31, 2019. Our total sales to Company F were RMB9.7 million, RMB0.3 million, RMB45,270 and RMB0.6 million, and our total purchases from Company F were RMB285.9 million, RMB866.3 million, RMB1,244.5 million and RMB679.2 million for the years ended December 31, 2019, 2020 and 2021, and for the six months ended June 30, 2022 respectively. The gross profit margin of Company A were 1.22%, 1.06% and 0.72% for the years ended December 31, 2019, 2020 and 2021, respectively, and -18.0% for the six months ended June 30, 2022, since we lowered our sale price of certain medication to below our procurement price as we adjusted our pricing strategy considering the market competition. For such medication, we typically negotiate with our suppliers for price adjustment compensation. Company F’s gross profit margin was 2.52% for the year ended December 31, 2019 and 5.18% for the six months ended June 30, 2022, while its gross profit margin for 2020 and 2021 are not available since all of our revenue from Company F was generated from SMO service fee, and we do not split and allocate our labor costs to a particular client or clinical trial.

In addition, as we partner with pharmaceutical companies in both our SMO and Specialty Pharmacy Business lines, we provide SMO service to some of our SMO clients while purchasing medication from them at the meantime. As an SMO client, Company G was among our top five largest customers for the years ended December 31, 2019, 2020, 2021, and for the six months ended June 30, 2022. Our total revenues from Company G were RMB20.2 million, RMB26.4 million, RMB42.1 million and RMB22.5 million, and our total purchases from Company G were RMB95.4 million, RMB320.6 million, RMB88.0 million and RMB23.6 million for the years ended December 31, 2019, 2020, 2021, and for the six months ended June 30, 2022, respectively.

All of our agreements with suppliers that were also our customers were entered into on an arm’s length basis. During the Track Record Period, for overlapping suppliers and customers, we and the suppliers that were also our customers generally made separate payments for purchases from each other.

### **SETTLEMENT AND CASH MANAGEMENT**

We accept multiple payment methods including cash payments and non-cash payments from our retail customers. Our offline pharmacy managers are responsible for ensuring the safety of cash received and



---

## BUSINESS

---

the timely delivery of them to designated banks. Cash received are reconciled on a daily basis and are preserved in safes for subsequent deposition to our designated bank accounts on the next day. Our back-end financial personnel conduct reconciliations among cash deposits as reported by pharmacies, bank statements and in-store sale records, and prepare cash long-and-short daily reports to follow up in case of any discrepancies during the reconciliation. We also require our in-store staff of each shift to reconcile among cash and changes in the cashier machine and in-store sales records with the witness of pharmacy managers before handover to the next shift. In addition, we have also installed surveillance cameras in our retail pharmacies to monitor and prevent misconducts. We also accept non-cash payment methods including Weixin Pay, Alipay, and credit cards. Amounts received through non-cash payment are automatically transferred to our corporate accounts opened at the relevant third-party processing platforms typically within two days.

As non-cash payments are becoming increasingly common, risks related to cash management have been and will continue to be maintained at limited level. During the Track Record Period, cash payment accounted for very limited proportion of our receipt and we did not encounter any incident of cash misappropriation or embezzlement that had a material adverse impact on our business, results of operations or financial condition.

### INTELLECTUAL PROPERTY

We regard our trademarks, copyrights, domain names, know-how, technologies and database, and similar intellectual property as critical to our success, and we rely on copyright and trademark law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of the Latest Practicable Date, we owned 44 computer and mobile software copyrights in China relating to operations, and had 89 trademark registrations in China. As of the Latest Practicable Date, we had registered approximately 80 domain names, including, without limitation, medbanks.cn, spyaofang.com and spcare.com.cn.

Intellectual property rights are important to the success of our business. We adopt comprehensive intellectual property protection policies and related internal control system to ensure our ability to obtain and maintain copyrights, trademarks and other intellectual property and proprietary protections for commercially important technologies and know-how related to our business, defend and enforce our copyrights, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties. Highlights of our intellectual property protection policies and related internal control system include the following:

- We require our employees to perform searches on related intellectual property rights to make sure our intellectual property rights will not be challenged.
- We file trademarks and copyrights with the relevant authorities to protect our brand image and technological innovations. We regularly monitor third-party actions to protect our intellectual property and take appropriate measures against any infringement.
- We seek to protect our technologies and know-how, in part, by entering into confidentiality agreements with our business partners. We have entered into confidentiality agreements with all of our employees and non-competition agreements with our senior management and other employees who have access to trade secrets or confidential information about our business. Our standard employment contract contains an assignment clause, under which we own all the rights to all inventions, technology, know-how and trade secrets derived during the course of such employee's work.

## BUSINESS

- Parties who think their intellectual property rights are infringed by us can file claims with us, and we will process these claims.
- We also seek to preserve the integrity and confidentiality of our know-how, data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material intellectual property infringement claims.

### EMPLOYEES

The following table sets forth the numbers of full-time employees dedicated to our business and operations categorized by function during the Track Record Period:

	As of December 31,						As of June 30,	
	2019		2020		2021		2022	
	<i>Number of Employees</i>	<i>% of Total</i>	<i>Number of Employees</i>	<i>% of Total</i>	<i>Number of Employees</i>	<i>% of Total</i>	<i>Number of Employees</i>	<i>% of Total</i>
Clinical Trial Service Execution for Physician Research Assistance . . .	1,036	47.3	1,131	40.4	1,384	35.9	1,776	54.4
Pharmacy staff for Specialty Pharmacy Business . . . . .	351	16.0	386	13.8	502	13.0	508	15.6
Business Development for Health Insurance Services . . . . .	16	0.7	159	5.7	188	4.9	135	4.1
Sales and Marketing for Group . . . .	34	1.6	29	1.0	296	7.7	168	5.1
General and Administrative . . . . .	648	29.6	950	33.9	1,324	34.3	550	16.8
Research and Development . . . . .	106	4.8	147	5.2	165	4.3	132	4.0
<b>Total . . . . .</b>	<b><u>2,191</u></b>	<b><u>100.0</u></b>	<b><u>2,802</u></b>	<b><u>100.0</u></b>	<b><u>3,859</u></b>	<b><u>100.0</u></b>	<b><u>3,269</u></b>	<b><u>100.0</u></b>

As of June 30, 2022, our employees working in the general and administrative function included (i) 56, 49 and 152 employees working in the general management, support and administrative functions in the business segment level of Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services, respectively, (ii) 161 employees working in the finance, human resources, legal and compliance, administrative and regional management functions across our three business segments, and (iii) 132 employees working in our medical support team who are based in various cities across China to provide onsite administrative support to doctors and hospitals to facilitate the collaboration across our three business segments and strengthen our connection with healthcare providers. The number of our employees worked in the general and administrative function was reduced as compared to the end of 2021 because we enhanced our service efficiency and optimized our management and administrative functions. Particularly, the size of our medical support team was significantly reduced as we no longer placed employees in certain cities with only a few trial sites, which were covered by our employees based in other nearby cities.

In order to further enhance our efficiency, we also appropriately reduced the size of our teams of business development for HIS, sales and marketing for the Group and research and development as compared to the year end of 2021.

As required by laws and regulations in China, we participate in various employee social insurance plans that are organized by municipal and provincial governments, including, among other things, pension, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing provident funds through a PRC government-mandated benefit contribution plan.

---

## BUSINESS

---

We are required under PRC law to make contributions to employee social insurance plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time. During the Track Record Period, since we conducted SMO service across China and some of our CRCs were working in places where we did not have subsidiaries or branches, we engaged third-party human resources agencies to pay social insurance premium and housing provident funds for them. As advised by our PRC Legal Adviser, pursuant to the PRC laws and regulations, we may be ordered to pay social insurance premium and housing provident funds for our employees under our own accounts instead of making payments under third-party accounts, and if the third-party human resources agencies fail to pay the social insurance premium or housing provident funds for and on behalf of our employees as required under applicable PRC laws and regulations, we may be ordered to rectify such failure by paying full contributions to social insurance and housing provident funds for our employees. In addition, we did not pay social insurance and housing provident fund in full for some of our employees based on their actual salary level. The amount of shortfall of social insurance and housing provident funds was RMB2.4 million in 2019, RMB4.0 million in 2020, RMB3.4 million in 2021, and RMB1.6 million in the six months ended June 30, 2022. The total amount of historical shortfall of social insurance and housing provident fund contributions made by both ourselves and third-party human resources agencies engaged by us was RMB6.9 million as of June 30, 2022, and we have accrued this shortfall amount into our financial statements.

Our PRC Legal Adviser advised that according to relevant PRC laws and regulations, if any of the competent social insurance authorities is of the view that our contributions to social insurance do not satisfy the requirements under the applicable PRC laws and regulations, we may be ordered to pay the outstanding social insurance contributions within a prescribed period and be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments within such time limit, we may be liable to a penalty of one to three times the amount of the outstanding contributions. If any of the competent housing provident fund authorities is of the view that our contributions to the housing provident funds do not satisfy the requirements under the applicable PRC laws and regulations, it may order us to pay the outstanding amount within a prescribed period. If we fail to do so within such time limit, the competent housing provident fund authority may apply to a PRC court for an order of mandatory payment.

During the Track Record Period and up to the Latest Practicable Date, we have not received any notice from the relevant PRC authorities requiring us to rectify or pay the outstanding amounts or been imposed any penalties in respect of social insurance and housing provident funds. We undertake that we will rectify or make outstanding payments within a prescribed period once ordered by competent authorities.

We will take practical measures to rectify the non-compliance in making social insurance and housing funds through third-party human resources agencies. We will establish subsidiaries or branches as we expand our business in China, so that we will be able to contribute social insurance and housing funds from our own accounts for our employees. Moreover, we will closely monitor the payment of social insurance and housing funds by the third-party human resources agencies to ensure that the contribution of funds is properly made in a timely manner. We will also communicate with the relevant local human resources, social insurance and housing funds authorities on a regular basis to obtain the latest information on the laws and regulations related to social insurance and housing funds contribution.

We are committed to establishing a competitive and fair remuneration. In order to effectively motivate our employees, we continually refine our remuneration and incentive policies through market research. We conduct performance evaluation for our employees at least once a year to provide feedback on their

---

## BUSINESS

---

performance. Compensation for our employees typically consists of base salary and a performance-based bonus.

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

### PROPERTIES

Our corporate headquarters are located in Guangzhou, Shanghai, and Beijing, China. As of June 30, 2022, we did not own any properties, and leased properties primarily for specialty pharmacies, warehouses and offices.

As of June 30, 2022, none of the properties leased by us had a carrying amount of 15% or more of our combined total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

As of the Latest Practicable Date, we leased 184 properties across China with an aggregate GFA of approximately 28,788.3 square meters. Among these 184 leased properties, 123 with an aggregate GFA of approximately 17,556.3 square meters were used for our specialty pharmacies, whereas the remaining 61 of these properties with an aggregate GFA of approximately 11,232.0 square meters were used for our offices, warehouses and other purposes in Beijing, Shanghai, Guangzhou, and other cities in China. The relevant lease agreements expire between 2022 and 2031. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth, especially the geographic expansion of our specialty pharmacies.

### Lease Agreement

As of the Latest Practicable Date, lessors of leased properties for our 20 specialty pharmacies have not provided us with their property ownership certificates, with an aggregate GFA of approximately 3,337.3 square meters, representing approximately 19.0% of the total GFA of the leased properties for our specialty pharmacies. Lessors of leased properties for our four specialty pharmacies have not provided us with their sublease authorization from landlords, with an aggregate GFA of approximately 471.8 square meters, representing approximately 2.7% of the total GFA of the leased properties for our specialty pharmacies. As advised by our PRC Legal Adviser, without valid property ownership certificates or proof of authorizations from the property owners, our use of these leased properties may not be valid or may be affected by third parties' claims or challenges against the lease. In addition, if the lessors do not have the requisite rights to lease these properties, the relevant lease agreements may be deemed invalid, and as a result we may be required to vacate these leased properties and relocate our specialty pharmacies. However, in the event that we are unable to continue using these leased properties, based on the advice of our PRC Legal Adviser, we, as the tenant, will not need to continue to pay the rents unless otherwise agreed between the tenant and the lessor. Additionally, our PRC

---

## BUSINESS

---

Legal Adviser advised that it is the lessors' responsibility to obtain the property ownership certificates to enter into the leases, and, as a tenant, we will not be subject to any administrative punishment or penalties by the real estate authorities in this regard. These statutory protections significantly mitigate our risks arising from these leased properties due to claims for vacation from the legal owners of the properties. Lastly, based on the advice of our PRC Legal Adviser, given that the leased properties are located in different provinces or cities across the country, the risk of being forced to vacate from all the above mentioned properties in the same time by the real estate authorities is low, and we do not expect to incur the administration burden to relocate many stores in a short time period.

As of the Latest Practicable Date, lessors of leased properties for our 12 specialty pharmacies did not obtain valid property ownership certificates including pharmacies business as a permitted commercial usage, with an aggregate GFA of approximately 1,953.4 square meters, representing approximately 11.1% of the total GFA of the leased properties for our specialty pharmacies. The revenue contribution from the specialty pharmacies with property ownership certificates issues were RMB297.3 million, RMB961.5 million and RMB1,381.9 million for the years ended December 31, 2019, 2020 and 2021, and RMB690.0 million for the six months ended June 30, 2022, respectively. As advised by our PRC Legal Adviser, as the tenant of these properties, we will not be subject to any administrative punishment or penalties simply in this regard but we may not be able to lease, occupy and use such leased properties if the relevant lease agreements are deemed to be in breach of applicable laws and therefore be void. However, in the event that we are unable to continue using these leased properties, based on our past experience we do not expect substantial difficulties in finding properties for relocation, as each such leased property is not large, the location is not critical, and we do not need to spend much time and cost to select, design and decorate the new places. In addition, we will adopt stricter internal control measures and review the property ownership certificates and sublease authorizations before we enter into new lease agreements in the future. See also "Risk Factors—Risks relating to Our General Operation—Our rights to use our leased properties could be challenged by third parties or government authorities, and we may be forced to vacate from these leased properties and be forced to relocate, which may result in a disruption of our operations and subject us to penalties" in this prospectus.

Having considered the foregoing, our Directors believe that these ownership issues described above will not, individually or in the aggregate, materially affect our business and results of operation, on the grounds that: (i) during the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, our leases with respect to these leased properties had never been challenged by any third parties and (ii) if we have to terminate the leases or relocate from such leased properties with ownership issues, we are able to locate qualified alternative premises within a short period of time under comparable terms without incurring substantial additional costs.

### **Lease Registration**

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, all of our 184 leased properties are required by the applicable PRC laws and regulations to be registered and filed with the relevant real estate administration bureaus in the PRC, among which most had not been so registered or filed.

As advised by our PRC Legal Adviser, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, we might be ordered to rectify this non-compliance by competent authorities and if we do not rectify within a prescribed period, a fine ranging from RMB1,000 to

---

## BUSINESS

---

RMB10,000 for each unregistered lease may be imposed on us. See also “Risk Factors—Risks relating to Our Business and Industry—The lease agreements of our leased properties have not been registered with the relevant PRC government authorities as required by PRC law” in this prospectus. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register any of these lease agreements.

We will rectify the non-compliance in not completing the registration and filing of all our lease agreements in a prompt manner by taking practical actions to have our lease agreements properly registered and filed with the relevant real estate administration bureau to extent practicable. However, since certain application materials for the lease registration shall be provided by the landlord, such as the identity proof of the landlord and the property ownership certificate of the leased property, which may be unavailable to us from time to time, we cannot assure you that we are able to complete all the outstanding lease registrations promptly.

Having considered the foregoing, our Directors believe that the non-registrations of leases described above will not, individually or in the aggregate, materially affect our business and results of operation, on the grounds that: (i) no penalty had been imposed on us for our failure to register and file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date, and (ii) we were advised by our PRC legal adviser that, if the lease registration can be completed in accordance with relevant laws and regulations within a reasonable time from the date of application or the prescribed time limit ordered by the competent governmental authorities, the risk of governmental authorities imposing a material penalty on us with respect to these leased properties is remote.

## INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by PRC laws and regulations and in accordance with the commercial practices in the industries in which we operate. We provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. Additionally, we provide accident insurance and supplementary medical insurance for our employees.

In relation to our insurance brokerage services, we carry professional liability insurance covering a maximum of RMB100 million in the aggregate over the course of a year, under which no claim had been made as of the Latest Practicable Date. Since we do not manufacture pharmaceutical products, according to our PRC Legal Adviser, we are not required to maintain product liability insurance under the applicable PRC laws and regulations, which is also consistent with the industry practice. Separately, since sponsors of clinical trials are the responsible party to purchase liability insurance for trials, and doctors from our third party vendors are the responsible party for issuing prescriptions whose medical malpractice insurance are responsible by the third party vendors, according to our PRC Legal Adviser, we are not required to purchase medical malpractice insurance for our SMO or specialty pharmacy business under the applicable PRC laws and regulations. For the foregoing reasons, we believe we will not suffer severe losses which may materially and adversely affect our operations and financial results if there are claims arising from personal injury during clinical trials, or provision of wrong or overdose medicine or negligence during the process of our pharmacist service to patients.

We do not maintain business interruption insurance, nor do we maintain key-man life insurance. We maintain property insurance for our pharmacy stores.

**LEGAL PROCEEDINGS AND COMPLIANCE****Legal Proceedings**

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

**Compliance**

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. In view of the foregoing and based on the compliance certificates issued by relevant government authorities of us and the confirmation with us, our PRC Legal Adviser is also of the view that except as disclosed in this Prospectus, we have complied with the PRC laws and regulations applicable to our businesses in all material respects during the Track Record Period and up to the Latest Practicable Date.

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

**RISK MANAGEMENT AND INTERNAL CONTROL**

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

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

**Service Quality and Safety**

We value the quality and safety of services we organize and provide. We have never received any written notice or penalty for material non-compliance or violation of the quality and safety laws or regulations relating to our services.

- *Specialty Pharmacy Business.* We have adopted stringent hiring procedures for pharmacists working in our specialty pharmacies, which involve in-person interviews and assessments of technical knowledge. Our in-house pharmacists receive regular training on relevant safety and compliance policies, standards, protocols and procedures and is required to strictly comply with them in all aspects of our operations of specialty pharmacies. We conduct evaluations of our in-house pharmacists to ensure their high quality service. With respect to our pharmacist service, we accept prescriptions from doctors. We have a stringent prescription verification system to manage the risks associated with the provision of prescription medicines, implemented and closely monitored by our in-house pharmacists. Our system enforces a dual-pharmacist review procedure to make sure that all prescriptions are compliant, regular and suitable. In addition, our after-sales specialists are in charge of after-sale quality complaints and take effective measures to resolve the complaints.

---

## BUSINESS

---

- *Physician Research Assistance.* The experience, competence and attitude of our CRC team are essential for the quality of our SMO service. We continually monitor the risk in relation to SMO service provided by our CRC team to ensure that the quality control policies and procedures have been strictly followed, so as to achieve effective and efficient governance and risk control processes. We have established an in-house risk and quality management system and devote significant attention to the risk and quality control of our SMO business. We have adopted standards of practices covering all the important steps in our SMO service process, and have established a quality assurance system to supervise and implement our quality standards, to ensure that our services consistently meet high industry standards and requirements. We have established a comprehensive internal training system to ensure that our CRC team is familiar with international and domestic regulatory requirements and industry knowledge, and strictly follow standard trial protocol. We have also built up a mature project management system under which our project managers supervise our project execution and guarantee our high quality service.
- *Health Insurance Services.* For healthcare providers to which we refer our members, we consider a variety of factors, such as their reputation and qualification, expertise and experience, service quality and capabilities, availabilities, as well as their facilities. We typically require healthcare providers who cooperate with us to maintain requisite licenses, comply with relevant laws and regulations and follow our service guidelines. We also carefully monitor feedback from our members on the services provided by these healthcare providers, and take that into consideration when determining our continued cooperation with them. For GPs and doctors in our Health Insurance Services network, we generally require them to provide us with their qualifications and licenses and to strictly adhere to the work scope and quality requirements specified in their service agreements in compliance with applicable legal and regulatory requirements.

In addition, our after-sales specialists are in charge of after-sale quality complaints and take effective measures to resolve the complaints.

### **Product Quality and Safety**

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

- *Product Safety and Quality.* We select our suppliers based on qualification, brand, reliability and volume. We perform background checks on our suppliers, examine their business licenses and the relevant licenses and certificates for their products they provide before we enter into any agreement. We evaluate their brand recognition and make inquiries about the market acceptance of their products among players in the same industry. We generally select leading pharmaceutical manufacturers and distributors to ensure the product quality. We have established a team dedicated to the management of our suppliers with respect to product quality, logistics and returns. According to our agreements with suppliers, we have the right to return any sub-quality products. We also have the right to return any damaged or contaminated products if caused by our suppliers. On the other hand, we confirm with our customers the selection of medication and inform them that medication are not returnable upon pick-up or delivery, unless with mis-deliver or quality issues such as product damages or contamination. In cases of mis-deliver or quality issues, upon confirmation, we proceed return or exchange for our customers. We do not accept product return due to other reasons.



---

## BUSINESS

---

- *Warehousing and Logistics.* We are committed to performing stringent quality control throughout every stage of our specialty pharmacy business operations including procurement, product inspection, warehousing, sales and delivery. We are actively involved in setting quality policies and standards, and improving quality control management through different means in our pharmacy operation. We have established a series of internal quality management protocols for our daily operation, providing guidance on and regulations of various aspects of our operations including, among others, the product quality, product shelf life management, product return, product recall and warehousing. Our pharmacy management teams are responsible for implementing procedures under our quality management system, compliance of our product supply chain with stipulated standards and inspection and warehousing of products. All of our relevant pharmacy staff have underwent a series of professional quality management training. Before engaging suppliers, we review the qualifications of the supplier candidates and select those who meet our criteria. Before warehousing, we inspect the appearance, packaging, labels and specifications of the products and examine the products according to the delivery orders and the inspection reports issued by the supplier. For products stored in our warehouse, we conduct regular quality maintenance, inspection and management, and monitor the storage conditions to ensure compliance. We have temperature-controlled warehouses to maintain suitable storage conditions for the quality and safety of our pharmaceutical products. In addition, certain specialty medicines are stored separately in safe and controlled settings and managed by professionally trained personnel. Before delivery from our warehouse or pharmacy stores, we inspect and ensure the quality of the products to be delivered.

### **Operational Risk Management**

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

In particular, we pay close attention to risk management relating to our IT, as sufficient maintenance, storage and protection of the patients' and plan members' data and other related information is critical to our success. Personal information in our business operation is stored in the cloud server operated by Tencent, an industry leading service provider in China. Such information includes, but is not limited to, medical information, consultation record, order record and activity log. We have kept all personal information in our database, such as order record and consultation record since inception and maintain such information for an indefinite period of time, unless deletion of such data is required by relevant laws and regulations or pursuant to conditions as specified under our terms of service with the patients and plan members. We also have a data back-up system through which data is encrypted and stored on Tencent cloud server regularly to reduce the risk of data loss. In addition, we perform back-up recovery tests regularly to examine the status of the back-up system. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material leakage or loss of personal information.

In general, according to our terms of service and except as required by relevant laws and regulations, by entering into service contracts with us or signing up in our online platform such as our Weixin official account, patients and plan members acknowledge that they permit and authorize our use of the information we were provided with and the information generated in the course of our services. They also acknowledge under the terms of service that they authorize our business partners to use their information that is necessary for our business partners to provide services to them or to improve their service quality. We give the relevant business partners the necessary personal information only pursuant to the authorized scope. For example, in our Health Insurance Services business, we provide healthcare service providers with personal information necessary for their rendering services to our

members, including names and contacts. To ensure the security of personal information, we and our business partners owe a duty of confidentiality to the patients and plan members with respect to such information.

We have implemented stringent rules for data extraction and transmission to ensure the confidentiality of the personal information on our online platform. We have implemented relevant internal procedures and controls to ensure that personal data is protected and that leakage and loss of such data is avoided. We have formulated policies for data administration which set out the overall responsibilities and procedures for our staff to adhere to. We have promulgated internal instructions setting out specific procedures regarding the handling of information containing personal data, and intend to institute ethical standards in relation to personal data protection. Violation of the relevant requirements will result in disciplinary action. The degree of access to and control of the information is determined by reference to the relevance to our staff's role and seniority. For activities requiring higher levels of confidentiality, multiple staff are required to be present. We have also implemented mechanisms, such as responsibility rotation and segregation of duties, among our data administration staff in daily operations. In the event of an information security breach, we perform investigations and perform damage control. In general, personal information that our employees can access is anonymized. We also hold trainings on data protection for our employees on a regular basis.

### **Human Resources Risk Management**

We provide regular and specialized training tailored to (i) the needs of our employees in different departments, and (ii) our anti-bribery and anti-corruption policy. Our human resources department regularly organizes internal training sessions conducted by senior employees or outside consultants. We schedule regular online and classroom trainings, review the content of the trainings, follow up with employees to evaluate the impact of such training and reward lecturers for positive feedback. Through these training sessions, we ensure that our staff's skill sets and knowledge level of our anti-bribery and anti-corruption policy remain up-to-date, enabling them to better comply with applicable laws and regulations in the course of exploring business.

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

### **Regulatory Compliance and Legal Risk Management—Anti-bribery and Anti-corruption**

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

In order to manage our compliance and legal risk exposures effectively, we have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. In particular, as we and our employees deal with a variety of third parties in our operations, we have implemented internal procedures with respect to anti-bribery, anti-corruption and conflict of interest matters. As a key part of our risk management and internal control measures, our legal department led by our senior management has established a series of internal regulations against

---

## BUSINESS

---

corrupt and fraudulent activities, which include measures against receiving bribes and kickbacks, and misuse of company assets. This series of regulations sets out, among other things, the following:

- The legal department and the management team of each business line are responsible for the daily execution of anti-bribery measures. Their scope of duties include reviewing and assessing anti-bribery measures in each department, reviewing complaints and reports from internal and external sources, and conducting investigations and undertaking rectification actions accordingly. The results of such daily execution of anti-bribery measures, as well as any specific incidents, are regularly reported to our senior management.
- We require our employees to abide by our professional ethics guidelines and our internal compliance manual, which consist of strict anti-corruption and anti-bribery clauses. We have implemented clear and strict policies and guidelines that prohibit the acceptance of gifts, hospitality and other offers by interested third parties. We impose on directors, senior management and employees penalties, and require compensation, for any losses incurred as a result of any activities concerning bribery and corruption.
- We have implemented preventive anti-bribery measures in our daily operations. For example, price quotations for procurement obtained by an employee are independently verified by another employee to ensure that there are no discrepancies in the pricing. We also segregate different sales duties, where possible, such as conducting sales, receipt of payments and maintenance of sales records, and monitoring the sales process via a computerized system which keeps proper records of sales transactions, prices and discounts. We believe these measures make it more difficult for an employee to carry out fraudulent activities.
- We also communicate with all relevant stakeholders, including customers and suppliers, in relation to our compliance measures and professional ethics guidelines. We have anti-corruption and anti-bribery clauses in a majority of our business contracts, and we require our suppliers and other third parties who cooperate with us to comply with relevant laws and regulations.

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

### **Board Oversight**

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have established an audit committee to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee consists of three members, namely Mr. CHANG Stanley Yi, Mr. HE Haijian and Ms. HUANG Bei, all of which being our independent non-executive Directors. Mr. CHANG Stanley Yi is the chairman of the audit committee. For the professional qualifications and experiences of the members of our audit committee, please see "Directors and Senior Management" in this prospectus.

### **LICENSES, APPROVALS AND PERMITS**

We are required to obtain various licenses, approvals and permits for our operations. As advised by our PRC Legal Adviser, as of the Latest Practicable Date, we had obtained all material licenses, approvals

## BUSINESS

and permits as required by PRC laws in all material aspects which are necessary to our current operations, and such licenses, approvals and permits were valid and remain in effect.

We renew all our permits and licenses from time to time to comply with the relevant laws and regulations. If the application documents for renewal have been submitted to the relevant authorities in accordance with applicable laws and regulations, we expect there will not be any material legal impediment to renewing such permits or licenses as they expire in future.

The following summarizes the relevant material licenses, approvals and permits requirements under the PRC laws and regulations for a PRC-based retailer of pharmaceutical products, medical equipment and nutritional supplements:

- Pharmaceutical Operation License (《藥品經營許可證》). Each of our pharmacies, if operates pharmaceutical product retail business, is required to hold Pharmaceutical Operation License for retailers.
- Medical Devices Operation License (《醫療器械經營許可證》). Each of our pharmacies, if distributes Class III medical devices, is required to hold Medical Devices Operation License.
- Class II Medical Device Operation Filing Certificate (《第二類醫療器械經營備案憑證》). Each of our pharmacies, if distributes Class II medical devices, is required to hold Class II Medical Device Operation Filing Certificate.
- Food Operation License (《食品經營許可證》). Each of our pharmacies, if distributes nutritional supplements, is required to hold Food Operation License.

The following table sets forth a list of our other material licenses, approvals and permits as of the Latest Practicable date:

No.	Entity	Name of the License, Approval, Permit	Expiration Date
1	Guangdong Dahui	Pharmaceutical Operation License (《藥品經營許可證》)	July 14, 2024
2	Guangdong Dahui	Medical Devices Operation License (《醫療器械經營許可證》)	August 13, 2025
3	Guangdong Dahui	Class II Medical Device Operation Filing Certificate (《第二類醫療器械 經營備案憑證》)	N/A <sup>(1)</sup>
4	Guangdong Dahui	Food Operation License (食品經營許 可證)	December 24, 2024
5	Sipai Beijing Network	Value-Added Telecommunications Business Operating License (增值電 信業務經營許可證)	November 13, 2024
6	Sipai (Beijing) Insurance Brokerage Co., Ltd.	Insurance Intermediary License (保 險中介許可證)	December 9, 2024
		Value-Added Telecommunications Business Operating License (增值電 信業務經營許可證)	July 9, 2026

*Note:*

(1) Class II Medical Device Operation Filing Certificate has no expiration date.

---

## CONTRACTUAL ARRANGEMENTS

---

### BACKGROUND

We conduct online insurance brokerage service (the “**Relevant Service**”) as part of our Health Insurance Services business. See “Business—Our Services—Health Insurance Services” in the prospectus. We currently operate the Relevant Service through the Consolidated Affiliated Entities as PRC laws currently restrict foreign ownership of value-added telecommunications service providers.

As a result of the restrictions imposed by PRC laws, we are unable to own or hold any direct equity interest in the Consolidated Affiliated Entities. Accordingly, the term ‘ownership’ or the relevant concept, as applied to our Company in this prospectus, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any equity interest in the Consolidated Affiliated Entities. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from the Consolidated Affiliated Entities, are narrowly tailored to achieve our business purpose and minimize the potential for conflict with relevant PRC laws.

### PRC LAWS RESTRICTING FOREIGN OWNERSHIP OF THE RELEVANT SERVICE

Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (外商投資准入特別管理措施(負面清單) (2021), the “**Negative List**”), provision of value-added telecommunications services falls within the “restricted” category. As such, the shareholding percentage of a foreign investor in companies engaged in value-added telecommunications services (other than electronic commerce, domestic multi-party communication, storage-forwarding and call center) shall not exceed 50%. In addition, pursuant to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法, the “**Administrative Measures**”), a provider of “commercial internet information services” (經營性互聯網信息服務, namely provision of information or website-design services through the internet to internet-users for a fee) is required to obtain an ICP license. See “Regulatory Overview—Regulations Relating to Value-added Telecommunications Services” in this prospectus for details of limitations on foreign ownership in PRC companies conducting value-added telecommunications services.

Our online insurance brokerage service involves operation of commercial internet information services under the Administrative Measures, such as online exhibition and sales of insurance products, online information search and online claim initiation. As advised by our PRC Legal Adviser and according to the consultation with MIIT below, such commercial internet information services is a sub-category of value-added telecommunications services under the Negative List and is therefore subject to foreign ownership restrictions and an ICP license is required.

Our online insurance brokerage service is conducted by Beijing Sipai Brokerage which holds an ICP license.

### Qualification Requirements Under FITE Regulations and Recent Update

In addition to the foreign ownership restrictions above, pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (2016 Revision) (外商投資電信企業管理規定 (2016修訂), the “**FITE Regulations**”) which has been further amended by the Order No. 752 below, a “major foreign investor” (i.e., a foreign investor who contributes more than 30% of the foreign investment and is the largest investor among all the foreign investors) who invests in a value-added telecommunications business in the PRC must possess prior experience in, and a proven track record of good performance of, operating value-added telecommunications businesses (the “**Qualification Requirements**”). Foreign investors that meet these requirements must obtain approvals from the MIIT which retain discretion in granting such approvals.

---

## CONTRACTUAL ARRANGEMENTS

---

The MIIT issued a Guidance on the Application Requirements for Establishing Foreign-invested Value-added Telecommunications Enterprises in the PRC (外商投資經營電信業務審批服務指南, the “**FIVATE Guidance**”). According to the FIVATE Guidance, in order to prove that it satisfies the Qualification Requirements, a foreign investor applicant is required to provide a description of the value-added telecommunications services previously provided by itself or its direct shareholder/subsidiary, supported by, among other things, (a) screenshots of websites and apps previously operated, and (b) color scanned copy of previous telecommunication business licenses issued by the relevant local authorities (unless no license is required in the relevant jurisdiction). The FIVATE Guidance does not provide any further guidance on the documents required to prove the satisfaction of the Qualification Requirements.

On April 7, 2022, the State Council issued the Decision to Amend and Abolish Certain Administrative Regulations (國務院關於修改和廢止部分行政法規的決定, the “**Order No. 752**”), which among other things, removed the Qualification Requirements with effect from May 1, 2022. However, as advised by our PRC Legal Adviser, as of the Latest Practicable Date, no further guidance on specific requirement or regulatory procedures had been published for foreign investment in the value-added telecommunications business in the PRC in view of the removal of the Qualification Requirements.

### **Consultation with Regulatory Authorities**

On May 17, 2021, our PRC Legal Adviser and the Joint Sponsors’ legal adviser as to PRC laws consulted an official of CBIRC Beijing Bureau (the “**CBIRC Official**”) on certain matters relating to our online insurance brokerage service (the “**CBIRC Consultation**”). The CBIRC Official has advised that:

- (i) we shall conduct our online insurance brokerage service through our self-operated online platforms pursuant to the Regulation on Internet Insurance Business (互聯網保險業務監管辦法) which took effect on February 1, 2021; and
- (ii) our online insurance brokerage service shall be also subject to the regulation of the regulatory authorities in internet industry.

On May 19, 2021, our PRC Legal Adviser and the Joint Sponsors’ legal adviser as to PRC laws consulted an official of MIIT (the “**MIIT Official**”) on certain matters relating to the Contractual Arrangements and our ICP licenses (the “**MIIT Consultation**”). Based on the MIIT Consultation and further confirmation with the MIIT,

- (i) our online insurance brokerage service is internet information service, a sub-category of value-added telecommunications services under the Administrative Measures, and we are required to obtain ICP licenses to provide those services;
- (ii) foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services;
- (iii) if a domestic company holding an ICP license (such as Beijing Sipai Brokerage) turns into a sino-foreign equity joint venture (with foreign investors holding less than 50% of the equity interest), that company shall apply for changing its ICP license into an ICP license for sino-foreign equity joint venture;
- (iv) the application by any foreign investor for ICP licenses and the fulfillment of the Qualification Requirements are subject to substantive review by the MIIT on a case-by-case basis; in the case of our Company, even if a foreign investor fulfills the Qualification Requirements, it will be extremely difficult to obtain such approval from the MIIT; the MIIT has not approved any

---

## CONTRACTUAL ARRANGEMENTS

---

application which involves both foreign-invested insurance brokerage and foreign-invested value-added telecommunications services so far; and

- (v) overseas website and app registered by a foreign investor may be recognized as some proof of satisfying the Qualification Requirements.

As advised by our PRC Legal Adviser,

- (i) CBIRC Beijing Bureau is the regulatory authority for regulation of banking and insurance businesses headquartered in Beijing, and is the competent regulatory to advise on the matters in relation to our online insurance brokerage service; and
- (ii) MIIT is the regulatory authority for telecommunication and internet administration at the national level responsible for the examination and approval of the investment and operation of telecommunication businesses by foreign investors, and is the competent authority to advise on matters in relation to foreign investment in telecommunication and internet industry.

Based on the above and considering that no further guidance on specific requirements or regulatory procedures had been published as of the Latest Practicable Date for foreign investment in the value-added telecommunications business in the PRC despite the removal of the Qualification Requirements by Order No. 752, our Directors believe that it will be extremely difficult for us to obtain the approval from the MIIT to hold ICP licenses in the form of Sino-foreign joint ventures, and our Contractual Arrangements are narrowly tailored to enable us to achieve our business and operation purposes under the current PRC regulatory framework so as to minimize the potential conflict with relevant PRC laws and regulations. Having discussed with our Directors based on the applicable PRC laws and regulations, our PRC Legal Adviser concurs that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations, subject to further guidance on specific requirements and regulatory procedures from relevant authorities.

### **Steps to Comply with the Qualification Requirements before Issuance of Order No. 752**

We had implemented a business plan with a view to building up a track record of overseas telecommunication business operations to comply with the Qualification Requirements before the issuance of Order No. 752. In particular, we had taken the following steps to comply with the Qualification Requirements:

- (i) we had registered a global top-level domain name [www.medbankshealthtech.com](http://www.medbankshealthtech.com) outside of the PRC, and had constructed an English website to help potential overseas users to better understand our Company's services and businesses; and
- (ii) we had registered some trademarks outside of the PRC (namely **Medbanks**, **MEDBANKS** and **思派**) for the promotion of the Company's services and businesses overseas.

As of the Latest Practicable Date, the Company had incurred costs of approximately HK\$300 thousand for taking the steps mentioned above.

During the MIIT Consultation, the MIIT Official confirmed that overseas website and app registered by a foreign investor may be recognized as some proof of satisfying the Qualification Requirements. Therefore, subject to the final discretion of MIIT on whether the Group has fulfilled the Qualification Requirements, our PRC Legal Adviser has advised that the above steps are generally regarded as relevant and reasonable steps to satisfy the Qualification Requirements as we will be able to gain experience in providing value-added telecommunication services in overseas markets through those steps.

---

## CONTRACTUAL ARRANGEMENTS

---

Based on the MIIT Consultation and as advised by our PRC Legal Adviser, our Directors believe that the above steps are generally regarded as relevant and reasonable factors to satisfy the Qualification Requirements.

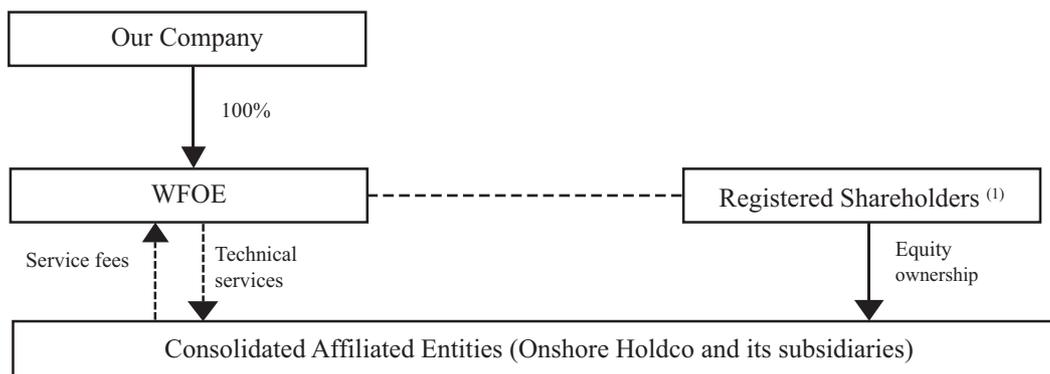
The Order No. 752 has removed the Qualification Requirements. However, as advised by our PRC Legal Adviser, (i) as of the Latest Practicable Date, no further guidance on specific requirements or regulatory procedures had been published for foreign investment in the value-added telecommunications business in the PRC in view of the removal of the Qualification Requirements, and (ii) the removal of the Qualification Requirements would not invalidate our ICP licenses or require us to adjustment the Contractual Arrangements under applicable PRC laws. We will communicate with the relevant authorities on a regular basis following the Listing to keep abreast of any regulatory developments, and will adjust the Contractual Arrangements to satisfy the “narrowly tailored” principle as soon as practicable after further guidance from authorities is published with respect to the specific requirements and regulatory procedures that we need to follow to complete such adjustment.

### Circumstances in Which we will Unwind the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the Relevant Service (to the extent permissible), and we will directly hold the maximum percentage of ownership interest permissible under the applicable PRC laws if the relevant government authority grants ICP licenses to the sino-foreign entities currently held and to be established by our Company. In this event, WFOE will exercise its rights under the Exclusive Purchase Option Agreement to unwind and terminate the Contractual Arrangements to the extent permissible and we will directly operate the Relevant Service without using the Contractual Arrangements.

## CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to our Group under the Contractual Arrangements:



*Notes:*

- (1) The current Registered Shareholders of the Onshore Holdco are our Founders, the other previous individual shareholders of Lucky Seven (namely, LI Dayong, ZHANG Hongdan, LI Ran, LUO Wei and ZONG Ze) and several individual investors of our Company at early stage (namely LIU Xiujiang, ZHANG Hong and YANG Donghao). Our Founders owned approximately 71.81% share capital of the Onshore Holdco as of the Latest Practicable Date.
- (2) “→” denotes direct legal and beneficial ownership in the equity interest.
- (3) “-.->” denotes contractual relationship. Under the Contractual Arrangements, WFOE shall provide technical services to our Consolidated Affiliated Entities, and our Consolidated Affiliated Entities shall pay service fees to WFOE directly.
- (4) “-----” denotes the control by WFOE over the Registered Shareholders through (i) powers of attorney to exercise all shareholders’ rights in each of our Consolidated Affiliated Entities, (ii) exclusive options to acquire all or part of the equity interests in each of our Consolidated Affiliated Entities and (iii) equity pledges over the equity interests in each of our Consolidated Affiliated Entities.



---

## CONTRACTUAL ARRANGEMENTS

---

### Summary of the Material Terms of the Contractual Arrangements

#### *Exclusive Business Cooperation Agreements*

WFOE and Onshore Holdco entered into an exclusive business cooperation agreement on May 10, 2021 (the “**Holdco Exclusive Business Cooperation Agreement**”), pursuant to which Onshore Holdco has engaged WFOE as the exclusive provider to provide Onshore Holdco and its subsidiaries with comprehensive technical service, technical consulting and other services, including operation and business support, technical service, network support, business consulting, financial consulting, intellectual property licensing, property lease, market consulting, product research and development, system maintenance, management consulting and other related services as requested by Onshore Holdco and its subsidiaries to the extent permitted under PRC laws.

Without the WFOE’s prior written consent, Onshore Holdco shall not, and shall procure its subsidiaries not to, (i) receive services which are identical or similar to the services covered by the Holdco Exclusive Business Cooperation Agreement from any third party, or (ii) enter into any similar cooperation with any third party.

In consideration of the services provided by WFOE, Onshore Holdco shall pay services fees to WFOE, which, subject to WFOE’s adjustment at its sole discretion, shall consist of all the consolidated net profit of Onshore Holdco and its subsidiaries (net of accumulated deficit in the previous financial years (if any), costs, expenses, taxes and payments required by the applicable laws to be reserved or withheld). The service fees shall be paid annually by Onshore Holdco.

The Holdco Exclusive Business Cooperation Agreement shall become effective upon signing and remain effective until, among other things, WFOE or its designee acquire all the equity interest in and/or all assets of Onshore Holdco pursuant to the Holdco Exclusive Purchase Option Agreement below. Onshore Holdco shall not unilaterally terminate the Holdco Exclusive Business Cooperation Agreement.

In addition, WFOE and Beijing Sipai Brokerage entered into an exclusive business cooperation agreement on September 15, 2022 (the “**Subsidiary Exclusive Business Cooperation Agreement**”, together with the Holdco Exclusive Business Cooperation Agreement, the “**Exclusive Business Cooperation Agreements**”), pursuant to which Beijing Sipai Brokerage has engaged WFOE as the exclusive provider to provide Beijing Sipai Brokerage with comprehensive services and Beijing Sipai Brokerage shall pay services fees to WFOE. The key terms of the Subsidiary Exclusive Business Cooperation Agreement are similar with those of the Holdco Exclusive Business Cooperation Agreement.

#### *Exclusive Purchase Option Agreements*

WFOE, Onshore Holdco and the Registered Shareholders entered into an exclusive purchase option agreement on May 10, 2021 (the “**Holdco Exclusive Purchase Option Agreement**”), pursuant to which Onshore Holdco and the Registered Shareholders have granted WFOE or its designee an irrevocable and exclusive right to purchase at any time and to the extent permitted by the then applicable PRC laws (i) from each of the Registered Shareholders all or any part of their equity interests in Onshore Holdco and/or (ii) from Onshore Holdco all or any of its assets or interests in any of its assets.

Without the WFOE’s prior written consent, Onshore Holdco and the Registered Shareholders shall not sell, transfer, pledge or otherwise dispose of the shares or assets with a value of more than RMB1 million (as the case may be) of Onshore Holdco.

---

## CONTRACTUAL ARRANGEMENTS

---

The purchase price payable by WFOE or its designee in respect of the transfer of shares or assets shall be the nominal value or the lowest price permitted under the PRC laws, and the Registered Shareholders shall return the purchase price in full to WFOE or its designee to the extent permitted under the PRC laws applicable then.

The Holdco Exclusive Purchase Option Agreement shall become effective upon signing and remain effective until that (i) WFOE or its designee acquire all the equity interest in and/or all assets of Onshore Holdco and (ii) WFOE and its subsidiaries are permitted to carry out the business of Onshore Holdco under the applicable PRC laws. Onshore Holdco and the Registered Shareholders shall not unilaterally terminate the Holdco Exclusive Purchase Option Agreement.

Onshore Holdco and the Registered Shareholders have undertaken jointly and severally, among other things, that:

- (i) without WFOE's prior written consent, they shall not supplement, alter or amend the articles of Onshore Holdco in any manner, increase or reduce its registered capital, or otherwise change its registered capital structure, or effect separation, dissolution or any change in the corporate form of Onshore Holdco;
- (ii) they shall maintain the existence of Onshore Holdco, conduct its business and affairs prudently and efficiently in accordance with sound financial and commercial standards and practices, and procure the performance by Onshore Holdco of its obligations under the Holdco Exclusive Business Cooperation Agreement;
- (iii) without WFOE's prior written consent, they shall not sell, transfer, pledge or otherwise dispose of their legal interest in any of Onshore Holdco's assets (tangible or intangible), business or income of more than RMB1 million, or allow the encumbrance of any security interest on them, at any time from the date of the Holdco Exclusive Purchase Option Agreement;
- (iv) unless required by PRC laws, without the written consent of WFOE, Onshore Holdco shall not be dissolved or liquidated. Following a statutory liquidation, the Registered Shareholders shall pay to WFOE in full any residual value they receive or procure such payment. Where such payment is prohibited by PRC laws, the Registered Shareholders shall pay such income to WFOE or WFOE's designee to the extent permitted by PRC laws;
- (v) without WFOE's prior written consent, they shall not incur, succeed to, guarantee or permit to exist any indebtedness other than (i) indebtedness incurred in the ordinary course of business and not by way of a loan; and (ii) indebtedness which has been disclosed to and agreed in writing by WFOE;
- (vi) they shall operate all of Onshore Holdco's business in the ordinary course of business so as to maintain the value of Onshore Holdco's assets and not to engage in any act/omission which might adversely affect Onshore Holdco's business and the value of its assets; and the board of directors of WFOE (or in the absence of the board of directors, the executive director(s), same as below) has the authority to supervise and assess whether it has control over the assets of Onshore Holdco; if WFOE's board of directors believes that the operations of Onshore Holdco affect the value of Onshore Holdco's assets or affect its control over the assets of Onshore Holdco, WFOE will engage legal counsel or other professionals to address such issues;
- (vii) without WFOE's prior written consent, they shall not procure Onshore Holdco to enter into any material contract, except for contracts entered into in the ordinary course of business of Onshore Holdco and contracts between Onshore Holdco and WFOE's overseas parent company or a subsidiary directly or indirectly controlled by WFOE's overseas parent company (for the

---

## CONTRACTUAL ARRANGEMENTS

---

purpose of this paragraph, a contract with a value of more than RMB1 million is considered a material contract);

- (viii) without WFOE's prior written consent, they shall not procure Onshore Holdco to provide loans, financial assistance or security of any kind such as mortgages or pledges to any person or allow a third party to create a charge or pledge over Onshore Holdco's assets or equity;
- (ix) they shall provide WFOE with all information regarding the operations and financial condition of Onshore Holdco on a regular basis upon WFOE's request;
- (x) they shall, at the request of WFOE, purchase and hold insurance from an insurance company acceptable to WFOE in respect of the assets and businesses of Onshore Holdco;
- (xi) they shall not cause or permit Onshore Holdco to merge, form a partnership or joint venture or alliance with, or acquire or invest in, any person without the prior written consent of WFOE;
- (xii) they shall promptly notify WFOE of any litigation, arbitration or administrative proceedings that has occurred or may occur in relation to the assets, business or income of Onshore Holdco and take all necessary measures as may be reasonably requested by WFOE;
- (xiii) they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or defend against all claims to the extent necessary and appropriate to maintain Onshore Holdco's ownership of all of its assets;
- (xiv) they shall ensure that Onshore Holdco shall not pay dividends in any form to its shareholders without the prior written consent of WFOE, but upon written request of WFOE, Onshore Holdco shall immediately distribute all distributable profits to its shareholders;
- (xv) at the request of WFOE, they shall appoint a party designated by WFOE to serve as a director, supervisor and/or officer of Onshore Holdco, and/or remove an incumbent director, supervisor and/or officer of Onshore Holdco and to comply with all relevant resolutions and filing procedures; WFOE shall have the right to request the Registered Shareholders and Onshore Holdco to replace such persons;
- (xvi) if the exercise of the right to purchase by WFOE is prevented as a result of the failure of any shareholder of Onshore Holdco or Onshore Holdco to comply with applicable tax obligations under applicable law, WFOE shall have the right to request Onshore Holdco or its shareholders to comply with such tax obligations or to request Onshore Holdco or its shareholders to pay such tax to WFOE, which shall be paid by WFOE on its behalf; and
- (xvii) procure that Onshore Holdco's subsidiaries shall, where applicable, comply with the undertakings herein as if such subsidiaries were Onshore Holdco itself.

In addition, WFOE, Onshore Holdco and Beijing Sipai Brokerage entered into an exclusive purchase option agreement on September 15, 2022 (the "**Subsidiary Exclusive Purchase Option Agreement**", together with the Holdco Exclusive Purchase Option Agreement, the "**Exclusive Purchase Option Agreements**"), pursuant to which Beijing Sipai Brokerage and Onshore Holdco have granted WFOE or its designee an irrevocable and exclusive right to purchase at any time and to the extent permitted by the then applicable PRC laws (i) from Onshore Holdco all or any part of its equity interests in Beijing Sipai Brokerage and/or (ii) from Beijing Sipai Brokerage all or any of its assets or interests in any of its assets. The key terms of the Subsidiary Exclusive Purchase Option Agreement are similar with those of the Holdco Exclusive Purchase Option Agreement.

---

## CONTRACTUAL ARRANGEMENTS

---

### *Equity Pledge Agreements*

WFOE, Onshore Holdco and the Registered Shareholders entered into an equity pledge agreement on May 10, 2021 (the “**Holdco Equity Pledge Agreement**”), pursuant to which, the Registered Shareholders has pledged all of their respective equity interests in Onshore Holdco to WFOE as the first priority security to guarantee performance of their contractual obligations under the Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the Contractual Arrangements.

Without the WFOE’s prior written consent, the Registered Shareholders shall not transfer or otherwise dispose of all or part of the pledged shares.

Upon the occurrence of an event of default (as defined in the Holdco Equity Pledge Agreement), unless it is successfully resolved to WFOE’s satisfaction within 30 days upon being notified by WFOE, WFOE may exercise its right of pledge at any time, including (i) requesting the Registered Shareholders or Onshore Holdco to pay WFOE any due payments, debt or any other payment under the Holdco Exclusive Business Cooperation Agreement and/or any loan, or (ii) dispose the pledged equity interests in accordance with the Holdco Equity Pledge Agreement or otherwise as permitted under PRC laws, including selling the pledged equity interests at discount or by way of auction. The Registered Shareholders have agreed to irrevocably waive their pre-emptive right as existing shareholders when WFOE exercises such right of pledge.

The Holdco Equity Pledge Agreement shall become effective upon signing and remain effective until, among other things, (i) all obligations of Onshore Holdco and the Registered Shareholders are satisfied in full, or (ii) WFOE or its designee acquire all the equity interest in and/or all assets of Onshore Holdco, and WFOE and its designees are permitted to carry out the business of Onshore Holdco under the applicable PRC laws.

We have registered the pledge of all the equity interests in Onshore Holdco with the relevant administration for market regulation of the PRC.

In addition, WFOE, Onshore Holdco and Beijing Sipai Brokerage entered into an equity pledge agreement on September 15, 2022 (the “**Subsidiary Equity Pledge Agreement**”, together with the Holdco Equity Pledge Agreement, the “**Equity Pledge Agreements**”), pursuant to which, the Onshore Holdco agrees to pledge all of its respective equity interests in Beijing Sipai Brokerage to WFOE as the first priority security to guarantee performance of its contractual obligations under the Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the Contractual Arrangements. The key terms of the Subsidiary Equity Pledge Agreement are similar with those of the Holdco Equity Pledge Agreement.

### *Voting Proxy Agreements*

WFOE, Onshore Holdco and the Registered Shareholders entered into a voting proxy agreement on May 10, 2021 (the “**Holdco Voting Proxy Agreement**”), pursuant to which the Registered Shareholders have appointed WFOE and/or its designee as their exclusive agent and attorney to act on their behalf on all matters concerning Onshore Holdco and to exercise all of their rights as shareholders of Onshore Holdco, including, among other things:

- (i) to propose, convene and attend meetings of shareholders of Onshore Holdco as the Registered Shareholders’ agent in accordance with Onshore Holdco’s articles of association;

---

## CONTRACTUAL ARRANGEMENTS

---

- (ii) to exercise all shareholders' rights which the Registered Shareholders are entitled to in accordance with the PRC laws and the articles of association of Onshore Holdco including the right to vote, to dividends, to sell or transfer or pledge or dispose of part or all of the equity interests in Onshore Holdco;
- (iii) to act as the legal representative of Onshore Holdco, or as the chairman, executive director or manager of Onshore Holdco and/or to designate, appoint or remove the legal representatives (chairman), directors, supervisors, chief executive officer (or manager) and other senior management of Onshore Holdco on behalf of the Registered Shareholders, and to bring lawsuits or take other legal actions against a director, supervisor or senior management of Onshore Holdco when the actions of such director, supervisor or senior management are prejudicial to the interests of Onshore Holdco or its shareholders;
- (iv) to sign documents (including minutes of shareholders' meetings) and to file documents with the relevant company registry;
- (v) to exercise voting rights on behalf of the Registered Shareholders in the event of insolvency, liquidation, dissolution or termination of Onshore Holdco;
- (vi) to distribute the remaining assets after bankruptcy, liquidation, dissolution or termination of Onshore Holdco;
- (vii) to determine the filing and registration of documents relating to Onshore Holdco with governmental authorities; and
- (viii) to exercise any shareholder's right to deal with the assets of Onshore Holdco in accordance with applicable laws, including the right to manage Onshore Holdco's business in relation to its assets, the right to access Onshore Holdco's income and the right to acquire Onshore Holdco's assets.

Without the WFOE's prior written consent, the Registered Shareholders shall not exercise any rights attached to the shares of Onshore Holdco which have been authorized to WFOE or its designee.

As a result of the Holdco Voting Proxy Agreement, the Company, through WFOE, is able to exercise management control over the activities that most significantly impact the economic performance of Onshore Holdco.

The Holdco Voting Proxy Agreement shall become effective upon signing and remain effective until, among other things, (i) WFOE or its designees acquire all the equity interest in and/or all assets of Onshore Holdco, and (ii) WFOE and its designees are permitted to carry out the business of Onshore Holdco under the applicable PRC laws.

In addition, WFOE, Onshore Holdco and Beijing Sipai Brokerage entered into a voting proxy agreement on September 15, 2022 (the "**Subsidiary Voting Proxy Agreement**", together with the Holdco Voting Proxy Agreement, the "**Voting Proxy Agreements**"), pursuant to which Onshore Holdco has appointed WFOE and/or its designee as their exclusive agent and attorney to act on its behalf on all matters concerning Beijing Sipai Brokerage and to exercise all of its rights as the shareholder of Beijing Sipai Brokerage. The key terms of the Subsidiary Voting Proxy Agreement are similar with those of the Holdco Voting Proxy Agreement.

---

## CONTRACTUAL ARRANGEMENTS

---

### **Other Aspects of the Contractual Arrangements**

#### ***Spouse Consents***

The spouse of each of the individual Registered Shareholders (if applicable) has executed a consent letter, pursuant to which he/she has unconditionally and irrevocably agreed to the execution of the Holdco Exclusive Purchase Option Agreement, the Holdco Equity Pledge Agreement and the Holdco Voting Proxy Agreement, and has no objection regarding the Contractual Arrangements.

The spouse of each of the individual Registered Shareholders further agrees that (i) any equity interests held by his/her spouse as a Registered Shareholder in Onshore Holdco are not their communal properties; (ii) he/she does not have any interest in the equity interests of Onshore Holdco, and will not raise any claim on the equity interest of Onshore Holdco; (iii) he/she will not take any measures that are in conflict with the Contractual Arrangements; and (iv) he/she will take any necessary measures to procure the performance of the relevant agreements underlying the Contractual Arrangements.

#### ***Dispute Resolution***

In the event of any dispute under the Contractual Arrangements:

- (i) all disputes shall first be settled through friendly negotiation;
- (ii) if such disputes fail to be resolved by negotiations within 30 days, any party shall have the right to submit the disputes to China International Economic and Trade Arbitration Commission, and such disputes shall be arbitrated in accordance with the then prevailing arbitration rules in Beijing, China, and such arbitration award shall be final and binding on all parties to the arbitration;
- (iii) prior to the final award, the arbitral tribunal shall have the power to grant WFOE with appropriate legal remedies, including relevant remedies over the shares or assets of Onshore Holdco, injunction relief, and winding-up order of Onshore Holdco; and
- (iv) competent courts (including the courts of China, Hong Kong, the Cayman Islands and the other applicable jurisdictions) have the power to grant interim remedies (such as injunctive relief) before the formation of the arbitral tribunal or in other appropriate cases.

Our PRC Legal Adviser has, however, advised that (i) the dispute resolution provisions above may not be enforceable under the PRC laws. For instance, an arbitral tribunal has no power to grant such injunctive relief or winding-up order under current PRC laws; and (ii) interim remedies granted by overseas courts such as courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that any of the Consolidated Affiliated Entities or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over the Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See “Risk Factors—Risks Relating to Our Corporate Structure and Contractual Arrangements” in this prospectus for details.

#### ***Succession***

Each of the agreements under the Contractual Arrangements is binding on the successors of the Registered Shareholders. Under the succession laws of China, the statutory successors include one’s

---

## CONTRACTUAL ARRANGEMENTS

---

spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents and any breach by such successors would be a breach of the Contractual Arrangements. In case of a breach, WFOE can enforce its rights against the successors.

In the event of death, incapacity, divorce, succession, bankruptcy or other circumstances which may affect a Registered Shareholder's holding of Onshore Holdco's equity interests, such Registered Shareholder's successor, transferee, creditor or any other person who obtains Onshore Holdco's equity interests or related rights due to such event (i) shall not interfere with or impede the performance of the agreements under the Contractual Arrangements, and (ii) shall be regarded a signing party of, and be bound by, those agreements.

Under each of the spouse consents, the spouse of each of the individual Registered Shareholders has confirmed that in the event of the death of his/her spouse, incapacity, divorce, succession, bankruptcy or other circumstances which may affect a Registered Shareholder's holding of Onshore Holdco's equity interests, his/her spouse shall have the absolute rights to independently dispose the shares of Onshore Holdco and that he/she shall not take any action that may interfere with or impede the performance of the agreements under the Contractual Arrangements by his/her spouse.

### ***Conflicts of Interest***

As two Registered Shareholders (namely Mr. Ma and Mr. Li) are also our Directors, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders. Under the Holdco Voting Proxy Agreement, (i) in the event of any conflict of interest among the Registered Shareholders, Onshore Holdco and WFOE, the Registered Shareholders shall protect, and shall not harm the interest of WFOE and our Company; and (ii) in the event that the Registered Shareholders also our Directors or officers, the Registered Shareholders shall appoint WFOE or its designee (excluding the Registered Shareholders who are also our Directors or officers) to exercise all of the rights under the Holdco Voting Proxy Agreement.

### ***Loss Sharing***

Neither the agreements under the Contractual Arrangements nor PRC laws provide or require that our Company or the WFOE be obligated to share the losses of the Consolidated Affiliated Entities or provide financial assistance to the Consolidated Affiliated Entities. Further, each of the Consolidated Affiliated Entities is a separate legal entity and shall be solely liable for its own debts and losses.

Despite the foregoing, our business, financial condition and results of operations would be adversely affected if the Consolidated Affiliated Entities suffer losses given that (i) our Group conducts businesses in the PRC through the Consolidated Affiliated Entities which hold the requisite PRC licenses and approvals, and (ii) the Consolidated Affiliated Entities' financial condition and results of operations are consolidated into our Company's financial statements under the applicable accounting principles. Therefore, the provisions in the Contractual Arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on the WFOE and our Company that may from any loss suffered by the Consolidated Affiliated Entities.

### ***Liquidation***

Pursuant to the Exclusive Business Cooperation Agreements, upon winding-up of any of our Consolidated Affiliated Entities, the relevant Consolidated Affiliated Entity shall, to the extent permitted by the PRC laws, procure the persons recommended by WFOE to establish the liquidation committee of the relevant Consolidated Affiliated Entity to manage its assets.

---

## CONTRACTUAL ARRANGEMENTS

---

Pursuant to the Voting Proxy Agreements, WFOE or its designee are entitled to exercise voting rights on behalf of the Registered Shareholders/Onshore Holdco upon winding-up of Onshore Holdco/any of the subsidiaries of Onshore Holdco. In the event of bankruptcy, liquidation, dissolution or termination of any of our Consolidated Affiliated Entities, the assets and the equity interest obtained by the Registered Shareholders/Onshore Holdco shall be transferred to WFOE at nil consideration or the lowest price permitted under PRC laws.

### *Insurance*

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

### *Our Confirmation*

Our Directors confirm that, as of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC government authorities in operating our businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

## LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, and after taking reasonable actions and steps including consultations with the MIIT, our PRC Legal Adviser is of the view that:

- (i) each of the WFOE and Consolidated Affiliated Entities was duly established and validly existing under the laws of their incorporation, respectively, and each of the Registered Shareholders is a legal person with full civil and legal capacity;
- (ii) each party to the agreements underlying the Contractual Arrangements has the qualification and power to enter into such agreements;
- (iii) none of the agreements underlying the Contractual Arrangements is in violation of the currently effective constitutional documents of WFOE and Consolidated Affiliated Entities;
- (iv) all internal approvals and authorizations (if required) with respect to execution and performance of each of the agreements underlying the Contractual Arrangements have been obtained from WFOE, Onshore Holdco, Consolidated Affiliated Entities and their respective shareholders;
- (v) the agreements underlying the Contractual Arrangements (a) are not in violation of mandatory PRC laws and regulations currently in force, and are legally binding and enforceable on the parties to such agreements, except that the dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of offshore courts (including the courts in Hong Kong and Cayman Islands) to grant interim remedies in support of the arbitration may not be recognized or enforced by PRC courts as set out in “—Other Aspects of the Contractual Arrangements—Dispute Resolution” in this section, and (b) are subject as to enforceability to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors’ rights generally and to general equity principles;
- (vi) none of the agreements underlying the Contractual Arrangements violate the mandatory provisions of the PRC Civil Code and other applicable mandatory provisions of PRC laws and administrative regulations or fall within any of the circumstances as stipulated in the PRC Civil Code which will lead such agreements as invalid in the PRC Civil Code; and
- (vii) the registration of the pledge of equity interest of Onshore Holdco under the Holdco Equity Pledge Agreement has been completed and legally taken effect.



---

## CONTRACTUAL ARRANGEMENTS

---

However, as advised by our PRC Legal Adviser, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC governmental authorities will not in the future take the view that is contrary to the above opinions of our PRC Legal Adviser. Our PRC Legal Adviser has further advised that if the PRC government finds that the Contractual Arrangements do not comply with the restrictions on foreign investment as to the Relevant Service, we may be subject to severe penalties, which could include:

- (i) revoking the business and operating licenses of WFOE and the Consolidated Affiliated Entities;
- (ii) restricting or prohibiting related party transactions between WFOE and the Consolidated Affiliated Entities;
- (iii) imposing fines or other requirements with which we, WFOE and the Consolidated Affiliated Entities may find it difficult or impossible to comply;
- (iv) requesting us, WFOE and the Consolidated Affiliated Entities to restructure the relevant ownership structure or operations; and
- (v) restricting or prohibiting the use of any proceeds from the Global Offering to finance our business and operations in the PRC.

The imposition of any of these penalties could have a material adverse effect on our ability to conduct our business. See “Risk Factors—Risks Related to Our Corporate Structure and Contractual Arrangements” in this prospectus.

### ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

According to IFRS 10—Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own the Consolidated Affiliated Entities, the Contractual Arrangements enable our Company to exercise control over the Consolidated Affiliated Entities.

Under the Exclusive Business Cooperation Agreement, Onshore Holdco shall pay service fees to WFOE in consideration of the services provided by WFOE. Such service fees, subject to WFOE’s adjustment, are equal to total consolidated net profit of Onshore Holdco (net of accumulated deficit of the Consolidated Affiliated Entities in the previous financial years (if any), costs, expenses, taxes and payments required by the applicable laws to be reserved or withheld). WFOE may adjust the service scope and fees at its discretion. WFOE also has the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities. Accordingly, WFOE has the ability, at its sole discretion, to extract all of the economic benefit of Onshore Holdco through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Purchase Option Agreement and the Voting Proxy Agreement, WFOE has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of the Consolidated Affiliated Entities as WFOE’s prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from the Consolidated Affiliated Entities, the Registered Shareholders must immediately pay or transfer such amount to our Company.

As a result of the Contractual Arrangements, our Company has obtained control of the Consolidated Affiliated Entities through WFOE and, at our Company’s sole discretion, is able to receive all of the

---

## CONTRACTUAL ARRANGEMENTS

---

economic interest returns generated by the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements during the Track Record Period as if they were subsidiaries of the Company. Please refer to Note 1 to the Accountants' Report in Appendix I to this prospectus for the basis of consolidating the results of the Consolidated Affiliated Entities.

### COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board for review and discussion;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
- (iv) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

### DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

#### Background of the Foreign Investment Law

On March 15, 2019, the National People's Congress approved the Foreign Investment Law which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (外商投資法實施條例), which came into effect on January 1, 2020. The Foreign Investment Law, which replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises, becomes the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

#### Impact and Potential Consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. Considering the Foreign Investment Law and The Implementation Regulations on the Foreign Investment Law do not (i) mention concepts including "actual control" or explicitly stipulate contractual arrangements as a form of foreign investment or (ii) explicitly prohibit or restrict a foreign restricted business to be controlled by contractual arrangements in the PRC, our PRC Legal Adviser is of the view that the possibility is relatively low that the Contractual Arrangements and the legality and validity of each of the agreements underlying the Contractual Arrangements will be materially and adversely affected by the Foreign Investment Law if there are no other PRC laws, regulations, administrative rules, normative documents or regulatory practices adopted

---

## CONTRACTUAL ARRANGEMENTS

---

or implemented in the future that prohibiting or restricting the operation of or affecting the legality of contractual arrangements or stipulating or interpreting contractual arrangements as a form of foreign investment.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invested in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods”. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment restrictions and how the Contractual Arrangements will be handled.

Therefore, there is no guarantee that the Contractual Arrangements and the businesses of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See “Risk Factors—Risks Relating to Our Corporate Structure and Contractual Arrangements—Our current corporate structure and business operations may be affected by the Foreign Investment Law” in this prospectus.

---

## REGULATORY OVERVIEW

---

Our business operations are subject to extensive supervision and regulation from the PRC government. This section sets out a summary of the main laws and regulations applicable to our business in PRC.

### REGULATIONS RELATING TO CORPORATION AND FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in the PRC is governed by the Company Law of the PRC (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People's Congress of the PRC (the “SCNPC”) on December 29, 1993 and came into effect on July 1, 1994, and last amended on October 26, 2018. The Company Law of the PRC generally governs two types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company or a joint stock limited company is limited to the amount of registered capital they have contributed. The Company Law of the PRC shall also apply to foreign-invested companies in form of limited liability company or joint stock limited company. Where laws on foreign investment have other stipulations, such stipulations shall apply.

On January 1, 2020, the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “FIL”) and the Regulations on the Implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) became effective and simultaneously replaced the trio of prior laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law of the PRC (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations. The FIL sets out the definition of foreign investment and the framework for promotion, protection and administration of foreign investment activities. The FIL does not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately “controlled” by foreign investors. However, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations of the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment. On December 30, 2019, the Ministry of Commerce of the PRC (the “MOFCOM”) and the State Administration for Market Regulation (the “SAMR”) jointly promulgated the Measures for Reporting of Information on Foreign Investment (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and pursuant to which, the establishment of the foreign invested enterprises, including establishment through purchasing the equities of a domestic enterprise or subscribing the increased capital of a domestic enterprise, and its subsequent changes are required to submit an initial or change report through the Enterprise Registration System.

Pursuant to the FIL, China has adopted a system of national treatment which includes a negative list with respect to foreign investment administration. The negative list will be issued by, amended or released upon approval by the State Council, from time to time. The negative list will set forth industries in which foreign investments are prohibited and industries in which foreign investments are restricted. Foreign investment in prohibited industries is not allowed, while foreign investment in restricted industries must satisfy certain conditions stipulated in the negative list. Foreign investments and domestic investments in industries outside the scope of the prohibited industries and restricted industries stipulated in the negative list will be treated equally. The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List**”), which were promulgated by the National Development and Reform Commission of the PRC (the “NDRC”) and the MOFCOM on December 27, 2021 and

---

## REGULATORY OVERVIEW

---

became effective on January 1, 2022 and the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2020年版)》) (the “**Encouraging Catalog**”), which was promulgated by the NDRC and the MOFCOM on December 27, 2020 and became effective on January 27, 2021, replaced previous negative list including the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version) (《外商投資准入特別管理措施(負面清單)(2020年版)》) and encouraging catalog and listed the categories of encouraged, restricted, and prohibited industries. Pursuant to the Negative List, value-added telecommunication services fall into the restricted category and the foreign investment in value-added telecommunications services shall not exceed 50% (excluding e-commerce business, domestic multi-party communications, store-and-forward and call centers).

### REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATIONS SERVICES

Pursuant to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”) promulgated by the State Council on September 25, 2000, amended on July 29, 2014 and February 6, 2016, which provide a regulatory framework for telecommunications services providers in the PRC, telecommunications services are categorized into basic telecommunications services and value-added telecommunications services and the telecommunications services providers are required to obtain operating licenses prior to the commencement of their operations. Pursuant to the Classification Catalog of Telecommunications Business (2015 version) (《電信業務分類目錄(2015年版)》), which was amended on June 6, 2019, internet information services we provide are classified as value-added telecommunications services.

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the “**Internet Measures**”) which were promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, set out the guidelines on the provisions of Internet information services. The Internet Measures classified Internet information services into commercial Internet information services and non-commercial Internet information services, and a commercial Internet information services provider must obtain a value-added telecommunications business operation license from the appropriate telecommunications authorities. The content of the Internet information is highly regulated in the PRC and pursuant to the Internet Measures, the Internet information services operators are required to monitor their websites. The PRC government may order the holder of value-added telecommunications business operation license (《增值電信業務經營許可證》) for internet information service (“**ICP License**”) that violates the content restrictions to correct those violations and revoke their ICP Licenses.

Pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (2016 Revision) (《外商投資電信企業管理規定(2016修訂)》), which were promulgated by the State Council on February 6, 2016, the foreign-invested value-added telecommunications enterprises in the PRC are required to be established as sino-foreign equity joint ventures, which the foreign investors may acquire up to 50% of the equity interests of such enterprise. In addition, the major foreign investor who invests in a foreign-invested value-added telecommunications enterprise operating the value-added telecommunications business in the PRC must demonstrate a good track record and experience in operating a value-added telecommunications business. Moreover, foreign invested enterprises that meet these requirements must obtain approvals from the Ministry of Industry and Information Technology of the PRC (the “**MIIT**”) for their commencement of value-added telecommunications business in the PRC. On April 7, 2022, the State Council issued the Decision to Amend and Abolish Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》), which makes amendments to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (2016 Revision) with effect from May 1, 2022. The amendments include, among other things, removing the track record and experience requirements for major foreign

---

## REGULATORY OVERVIEW

---

investor that invests in PRC companies conducting value-added telecommunication business as set out in the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (2016 Revision).

On July 13, 2006, the Ministry of Information Industry of the PRC (the “**MIIT**”, which is the predecessor of MIIT) promulgated the Circular on Strengthening the Administration of Foreign Investment and Operation of Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》) (the “**MIIT Circular**”), pursuant to which, a domestic company that holds a value-added telecommunications business operation licenses is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in China. In addition, under the MIIT Circular, the Internet domain names and registered trademarks used by a foreign-invested value-added telecommunications service operator shall be legally owned by that operator or its shareholders.

### REGULATIONS RELATING TO PHARMACEUTICAL RETAIL INDUSTRY

#### *General Regulations relating to Drugs Operation*

Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) (the “**Drug Administration Law**”), which was promulgated by the SCNPC, and came into effect on July 1, 1985, and was recently amended on August 26, 2019 and came into effect on December 1, 2019, provides the legal framework for the administration of the production and sale of pharmaceutical products in the PRC and covers the manufacturing, distributing, registration, packaging, pricing and advertising of pharmaceutical products in the PRC. According to the Drug Administration Law, no pharmaceutical operation, including pharmaceutical whole sale and pharmaceutical retail business, is permitted without obtaining the Pharmaceutical Operation License. The Implementation Rules for the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》), were promulgated by the State Council in August 2002 and amended in 2016 and 2019, which emphasized the detailed implementation rules of drugs administration. On May 9, 2022, the NMPA published the Implementing Regulations of the Drug Administration Law of the PRC (Revised Draft for Comment) (《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)》), which provided more detailed implementation rules and requirements on drugs administration, including requirements on online drug transactions, for example, the third-party platform providers for online drug transactions shall not directly participate in drug sales activities. The State Food and Drug Administration (which is the predecessor of the China Food and Drug Administration, or the “**CFDA**”, and CFDA is the predecessor of the National Medical Products Administration, or the “**NMPA**”) promulgated the Measures for the Administration of Pharmaceutical Operation License (《藥品經營許可證管理辦法》) in February 2004 and amended in 2017, which stipulate the procedures for applying the Pharmaceutical Operation License and the requirements and qualifications for pharmaceutical wholesalers or pharmaceutical retailers with respect to their management system, personnel, facilities and etc. The valid term of the Pharmaceutical Operation License is five years.

According to the Administrative Measures for the Supervision and Administration of Circulation of Pharmaceuticals (《藥品流通監督管理辦法》), promulgated by the NMPA in January 2007 and effective in May 2007, pharmaceutical manufactures and operation enterprises and medical institutions shall be responsible for the quality of pharmaceuticals they manufacture, provide or use. The operation of prescription drugs is highly regulated under these rules. Prescription drugs may not be sold by pharmaceutical retail enterprises without valid prescriptions. In addition, a pharmaceutical manufacture or operation enterprise shall not sell prescription drugs directly to the public by post or over internet.

---

## REGULATORY OVERVIEW

---

Furthermore, according to the Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》), promulgated by the NMPA in April 2000 and amended in 2012, 2015 and 2016 respectively, the pharmaceutical operation enterprises shall take effective quality control measures over the process of procurement, storage, transportation and sale of drugs in order to ensure their quality.

### *Regulations relating to Prescription Drugs Operation*

According to the Measures on Prescription Drugs and OTC Drugs Classification Management (Trial) (《處方藥與非處方藥分類管理辦法(試行)》) and the Interim Provisions on the Circulation of Prescription and OTC Drugs (《處方藥與非處方藥流通管理暫行規定》), which were both promulgated by the State Drug Administration, which was restructured and integrated into the NMPA, in 1999 and became effective in January 2000, drugs are divided into prescription drugs and OTC drugs. For prescription drugs, the dispensing, purchase and use can only be based on the prescription issued by the certified medical practitioner or certified medical assistant practitioner. In addition, the prescription drugs can only be advertised and promoted in professional medical magazines. OTC drugs, on the other hand, are further divided into Class A and Class B and they both can be purchased and used without a prescription, and promoted in public upon approval by the relevant governmental authorities. The pharmaceutical wholesale enterprises distributing prescription drugs and/or OTC drugs, as well as pharmaceutical retail enterprises selling prescription drugs and/or Class A OTC drugs are required to obtain the Pharmaceutical Operation License.

According to Drug Administration Law, enterprises engaging in drug retail shall verify prescriptions, and drugs listed in a prescription shall not be arbitrarily changed or substituted. Where a prescription has incompatibility or excessive dosage, the pharmacist shall refuse to dispense, the prescription may be dispensed only upon correction or resigning by the prescribing physician if necessary. The newly revised Drug Administration Law in 2019 abolishes the restriction on online sale of prescription drugs and adopts the principle of keeping online and offline sales consistent, except that the drugs which are subject to the state's special control may not be distributed online, such as vaccines, blood products, narcotic drugs, psychotropic drugs, toxic drugs for medical use, radioactive drugs and pharmaceutical precursor chemicals.

### *Regulations relating to Pharmacists*

On June 18, 2021, the National Medical Products Administration promulgated the Administrative Measures for the Registration of Licensed Pharmacists (《執業藥師註冊管理辦法》), which came into effective on June 18, 2021, and repealed the Interim Administrative Measures for the Registration of Licensed Pharmacists (Guo Yao Guan Ren [2000] No.156) issued by the former State Drug Administration and the Supplementary Opinions on the Interim Administrative Measures for the Registration of Licensed Pharmacists (Guo Shi Yao Jian Ren [2004] No.342), the Supplementary Opinions on the Interim Administrative Measures for the Registration of Licensed Pharmacists (Shi Yao Jian Ren Han [2008] No.1) and several other regulations. The Administrative Measures for the Registration of Licensed Pharmacists (《執業藥師註冊管理辦法》) shall apply to the registration of licensed pharmacists and related supervision and administration, pursuant to which, a person who holds a Licensed Pharmacist Professional Qualification Certificate of the PRC may practice as a licensed pharmacist only after being registered and having obtained a Licensed Pharmacist Registration Certificate of the PRC. Licensed pharmacists shall be responsible for drug administration, prescription verification and dispensing, guidance on rational drug use, and other work in accordance with the law.

---

## REGULATORY OVERVIEW

---

### *Regulations relating to Internet Drug Information Service*

Pursuant to the Administrative Measures on Internet Drug Information Services (《互聯網藥品信息服務管理辦法》) promulgated by the NMPA on July 8, 2004 and amended on November 17, 2017, the Internet drug information services, i.e. provision of information of drugs and medical devices through the Internet, are classified into commercial Internet drug information services and non-commercial Internet drug information services. The competent food and drug authority reviews the website operated by an entity that applies for providing Internet drug information services and issues the Internet Drug Information Service Certificate to such entity once meets the requirements.

### *Regulations relating to Medical Devices Operation*

The Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) (the “**Medical Device Regulations**”) which were issued by the State Council in 2000 and recently amended on December 21, 2020 and came into effect on June 1, 2021, regulating entities that engage in the research and development, production, operation, use, supervision and administration of medical devices in the PRC. Medical devices are classified according to their risk levels. Class I medical devices are medical devices with low risks, and the safety and effectiveness of which can be ensured through routine administration. Class II medical devices are medical devices with moderate risks, which are strictly controlled and administered to ensure their safety and effectiveness. Class III medical devices are medical devices with relatively high risks, which are strictly controlled and administered through special measures to ensure their safety and effectiveness. The classification of specific medical devices is stipulated in the Medical Device Classification Catalog (《醫療器械分類目錄》), which was issued by the NMPA on August 31, 2017 and became effective on August 1, 2018 and latest amended and became effective on March 28, 2022.

Pursuant to the Measures for the Supervision and Administration of Medical Devices Operation (《醫療器械經營監督管理辦法》) promulgated by the NMPA on July 30, 2014 and amended on November 17, 2017 and latest amended on March 10, 2022 and became effective from May 1, 2022, licensing or recordation is not required for business activities involving Class I medical devices, while recordation administration shall apply to business activities involving Class II medical devices, and licensing administration shall apply to business activities involving Class III medical devices. An enterprise engaging in the operation of medical devices shall have business premises and storage conditions suitable for the operation scale and scope, and shall have a quality control department or personnel suitable for the medical devices it operates. Also, a quality control system compatible with the medical devices it operates is required, and an enterprise engaging in business activities involving Class III medical devices shall also have a qualified computer information management system in order to ensure the traceability of the products it deals in. An enterprise engaged in the operation of Class II medical devices shall file with the municipal level drug supervision and administration department, and provide proofing materials for satisfying the relevant conditions of engaging in the operation of medical devices, while an enterprise engaged in the operation of Class III medical devices shall apply for an operation permit to the municipal level drug supervision and administration department, and provide proofing materials for satisfying the relevant conditions of engaging in the operation of such medical devices. An operation permit is valid for five years.

### *Regulations relating to Food Operation*

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》), promulgated on February 28, 2009 and latest amended on April 29, 2021, and the Implementation Regulations of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》), issued on July 20, 2009 and



---

## REGULATORY OVERVIEW

---

latest amended on October 11, 2019, and effective on December 1, 2019, with the purpose of guaranteeing food safety and safe guarding the health and life safety of the public, the PRC sets up a system of the supervision, monitoring and appraisal on the food safety risks, compulsory adoption of food safety standards. To engage in food production, sale or catering services, the business operators shall obtain a license in accordance with the laws and regulations. Furthermore, the State Council implements strict supervision and administration for special categories of foods such as health-care food, special formula foods for special medical purposes and infant formula.

Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》) promulgated by the NMPA on August 31, 2015 and amended on November 17, 2017, regulate the food operation licensing activities, strengthen supervision and management of food operation, and ensure food safety. Food operation operators shall obtain the food operation license for each business venue where they engage in food operation activities. The food operation license is valid for five years.

### ***Regulations relating to Advertisement of Pharmaceutical Products***

Pursuant to the Advertisement Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the SCNPC on October 27, 1994 and recently amended and took effect on April 29, 2021, any advertisement for medical treatment, pharmaceuticals or medical devices shall not contain the following items: (i) any assertion or guarantee for efficacy and safety; (ii) any statement on cure rate or effective rate; (iii) comparison of the efficacy and safety with other pharmaceuticals or medical devices or with other medical institutions; (iv) using of advertising representatives for endorsements or testimonials; (v) other items as prohibited by laws and administrative regulations.

Pursuant to the Interim Administrative Measures for Censorship of Advertisements for Drugs, Medical Devices, Dietary Supplements and Formula Foods for Special Medical Purpose (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》), which were promulgated by the SAMR on December 24, 2019, effective on March 1, 2020, an enterprise seeking to advertise its drugs, medical devices, dietary supplements or formula foods for special medical purpose must apply for an advertisement approval number. The validity period of the advertisement approval number concerning a drug, medical device, dietary supplement or food for special medical purpose shall be consistent with that of the registration certificate or record-filing certificate or the production license of the product, whichever is the shortest. Where no validity period is set forth in the registration certificate, record-filing certificate or the production license of the product, the advertisement approval number shall be valid for two years. The content of an approved advertisement may not be altered without prior approval.

## REGULATIONS RELATING TO PRODUCT LIABILITY AND CONSUMER PROTECTION

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated on February 22, 1993 and latest amended on December 29, 2018 by the SCNPC, the seller shall be responsible for the repair, replacement or return of the product sold if (i) the product sold does not possess the properties for use that it should possess, and no prior and clear indication is given of such a situation; (ii) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (iii) the product sold does not conform to the quality indicated by such means as a product description or physical sample. If a consumer incurs losses as a result of purchased product, the seller shall compensate for such losses.

On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) (the “**Civil Code**”) was adopted by the National People’s Congress (the “**NPC**”), which became effective on January 1, 2021,

---

## REGULATORY OVERVIEW

---

according to which, a manufacturer or a commercial seller is subject to liability for harm to persons or property caused by the product defects. The infringed may seek compensation from the manufacturer or the commercial seller. Where the infringed seeks compensation from the commercial seller, the commercial seller shall have the right to make a claim against the liable manufacturer after it has made compensation.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on October 31, 1993 and was amended on August 27, 2009 and October 25, 2013, to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the amendments made on October 25, 2013, all business operators must pay high attention to protecting customers' privacy and must strictly keep confidential any consumer information they obtain during their business operations. In addition, in extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

### REGULATIONS RELATING TO PRICE CONTROL OF DRUGS

According to the Circular on Issuing the Opinions on Promoting the Drug Pricing Reform (《關於印發推進藥品價格改革意見的通知》) promulgated by the National Development and Reform Commission and other six governmental authorities in 2015, except for narcotic drugs and Class I psychotropic drugs, the prices of drugs previously set by the government were cancelled from June 1, 2015. Instead of direct price controls which were historically used in the PRC, the government regulates prices mainly by establishing a centralized procurement mechanism, revising medical insurance reimbursement standards and strengthening regulation of medical and pricing practices.

According to the Notice on Issuing Certain Regulations on the Trial Implementation of Centralized Tender Procurement of Drugs by Medical Institutions (《關於印發醫療機構藥品集中招標採購試點工作若干規定的通知》) promulgated in July 2000 and the Notice of the State Drug Administration on Further Improvement on the Implementation of Centralized Tender Procurement of Drugs by Medical Institutions (《國家藥品監督管理局關於進一步做好醫療機構藥品集中招標採購工作的通知》) promulgated in August 2001, non-profit medical institutions established by county or higher level government are required to implement centralized tender procurement of drugs. The Working Regulations of Medical Institutions for Procurement of Drugs by Centralized Tender and Price Negotiations (for Trial Implementation) (《醫療機構藥品集中招標採購和集中議價採購工作規範(試行)》), promulgated in March 2002, provides rules for the tender process and negotiations of the prices of drugs, operational procedures, a code of conduct and standards or measures of evaluating bids and negotiating prices. The Notice of the Financial Planning Department of Ministry of Health on Issue of Opinions on Further Regulating Centralized Procurement of Drugs by Medical Institutions (《衛生部財務規劃司關於印發<進一步規範醫療機構藥品集中採購工作的意見>的通知》) was promulgated in January 2009, according to which, non-profit medical institutions owned by the government at the county level or higher or owned by state-owned enterprises (including state-controlled enterprises) shall purchase pharmaceutical products by online centralized procurement. Each provincial government shall formulate its catalog of drugs subject to centralized procurement. Except for (i) drugs in the National Essential Drug List (the procurement of which shall comply with the relevant rules on National Essential Drug List), and (ii) certain pharmaceutical products which are under the national government's special control (such as toxic, radioactive and narcotic drugs and traditional Chinese medicines), in principle, all drugs used by non-profit medical institutions shall be covered by the catalog of drugs subject to centralized procurement. The Notice on the Working Regulations of Medical Institutions for Centralized Procurement of Drugs (《關於印發醫療機構藥品集中採購工作規範的通知》) promulgated in July 2010 further regulated the centralized procurement of drugs and clarified the code of

---

## REGULATORY OVERVIEW

---

conduct of the parties in centralized drug procurement. The Instructions on Improvement of Centralized Procurement of Drugs of Public Hospitals (《關於完善公立醫院藥品集中採購工作的指導意見》) promulgated in February 2015 clarified seven specific instructions on the centralized procurement of drugs. The Notice on Centralized Procurement of Drugs Negotiated (《關於做好國家談判藥品集中採購的通知》) promulgated in April 2016 further improved the mechanism of price negotiation of drugs. In January 2017, Opinions on Improvement of the Policy of Production, Circulation and Use of Drugs (《關於進一步改革完善藥品生產流通使用政策的若干意見》) was promulgated to deepen the reform of the medicine health system, improve the quality of the drug and regulate the circulation and use of drugs. In January 2019, the promulgated Pilot Plan of Centralized Procurement and Use of the Drug Organized by the State (《關於印發國家組織藥品集中採購和使用試點方案的通知》) improved the pricing mechanism of drugs, which also further regulates the scope and mode of centralized procurement. In February 2019, the National Healthcare Security Administration issued the Opinions on Supporting Measures of the Pilot Programme of Centralized Drug Purchase and Use Organized by the State (《關於國家組織藥品集中採購和使用試點醫保配套措施的意見》) which provides supporting measures for the medical security department to implement the pilot work of the centralized procurement and use of drugs organized by the State. In September 2019, National Healthcare Security Administration and other eight government authorities issued the Implementation Opinions on Region Expansion of the Organization of Centralized Procurement and Use of Drugs by the State (《關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見》), which expand the pilot program to wider areas, further reduce the medication burden of the masses and intensify reform and innovation. In January 2021, the General Office of the State Council has further published an updated policy Opinion on Promoting the Normalization and Institutionalization of Centralized Volume-Based Procurement of Drugs (《國務院辦公廳關於推動藥品集中帶量採購工作常態化制度化開展的意見》) to solidify the centralized procurement scheme, pursuant to which emphasis shall be placed on including drugs that are listed in the Drug Catalog for Basic Medical Insurance with large consumption and high procurement price in the procurement scope, and gradually covering various drugs which are clinically necessary and reliable. In principle, all holders registration certificates of drugs falling under the scope of the centralized volume-based procurement and meet the requirements for the centralized volume-based procurement in terms of quality standards, production capacity, and supply stability, may participate in such procurement. All public medical institutions shall participate in the centralized volume-based drug procurement.

### REGULATIONS RELATING TO NATIONAL MEDICAL INSURANCE PROGRAM

Pursuant to the Notice of Opinion on the Diagnosis and Treatment Management, Scope and Payment Standards of Medical Service Facilities Covered by the National Urban Employees Basic Medical Insurance Scheme (《關於印發<城鎮職工基本醫療保險診療項目管理、醫療服務設施範圍和支付標準意見>的通知》) promulgated on June 30, 1999, part of the fees of diagnostic and treatment devices and diagnostic tests would be paid through the basic medical insurance scheme. Detailed reimbursement coverage and rate are subject to provincial local policies. Pursuant to the Decision on the Establishment of the Urban Employee Basic Medical Insurance Program (《關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on December 14, 1998, the Notice of Opinions on the Establishment of the New Rural Cooperative Medical System (《關於建立新型農村合作醫療制度意見的通知》) issued by the General Office of the State Council on January 16, 2003, the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) issued by the State Council on July 10, 2007, and the Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) promulgated on January 3, 2016, all employees and residents in rural and urban areas would be involved in medical insurance program.

---

## REGULATORY OVERVIEW

---

### REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION, ANTI-CORRUPTION AND ANTI-BRIBERY

Pursuant to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by the SCNPC on April 23, 2019, a business operator shall not resort to bribery to seek a transaction opportunity or competitive advantage by offering money or goods or by any other means, to (i) any employee of the counterparty in a transaction, (ii) any entity or individual entrusted by the counterparty in a transaction to handle relevant affairs, or (iii) any other entity or individual that takes advantage of powers or influence to influence a transaction. A business operator may expressly offer a discount to the counterparty or pay commissions to the intermediaries of a transaction in the course of transaction activities, which shall be properly recorded at both parties' accounting books. Any commercial bribery committed by an employee of a given operator will be deemed as conduct of such operator unless such operator has evidence that such act is not related to such operator's efforts in seeking a transaction opportunity or competitive advantage.

### REGULATIONS RELATING TO ANTI-MONOPOLY

The PRC Anti-monopoly Law (《中華人民共和國反壟斷法》), which took effect on August 1, 2008 and was amended on June 24, 2022 and then came into effect on August 1, 2022, prohibits monopolistic conduct such as entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition.

A business operator with a dominant market position may not abuse its dominant market position to conduct acts such as selling commodities at unfairly high prices or buying commodities at unfairly low prices, selling products at prices below cost without any justifiable cause, or refusing to trade with a trading party without any justifiable cause. Penalties for the violations of the prohibition on the abuse of dominant market position include an order to cease the relevant activities, confiscation of the illegal gains and fines (from 1% to 10% of sales revenue from the previous year). On June 26, 2019, the SAMR issued the Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》), which took effect on September 1, 2019 and was amended on March 24, 2022 and then came into effect on May 1, 2022 to further prevent and prohibit the abuse of dominant market positions. The Anti-monopoly Commission of the State Council promulgated the Guideline on Anti-Monopoly of Platform Economy Sector (《關於平台經濟領域的反壟斷指南》) on February 7, 2021, aiming to improve anti-monopoly administration on online platforms, according to which, the term "platform" refers to a form of business organization that enables interdependent two or multilateral entities to interact under the rules provided by a specific medium through network information technology, to jointly create value. Antimonopoly law enforcement authorities shall adhere to the following principles when carrying out anti-monopoly supervision and administration over the platform economy sector: to protect fair market competition, to achieve efficient supervision pursuant to law, to stimulate innovation and to safeguard legitimate rights and interests of various market players.

### REGULATIONS RELATING TO INTERNET SECURITY

Internet information in China is regulated and restricted from a national security standpoint.

The SCNPC, enacted the Decisions on Maintaining Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000, amended on August 27, 2009, which may subject violators to criminal punishment in China for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false

---

## REGULATORY OVERVIEW

---

commercial information; or (v) infringe intellectual property rights. The Ministry of Public Security of the PRC has promulgated the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》) on December 16, 1997 and the State Council of the PRC has amended it on January 8, 2011 to prohibit use of the Internet in ways which, among other things, result in a leakage of state secrets or infringement of the legitimate rights and interests of the state, the society, the community or the citizens.

On November 7, 2016, the SCNPC promulgated the Cyber Security Law of the PRC, or the Cyber Security Law (《網絡安全法》), which became effective on June 1, 2017. The Cyber Security Law requires network operators to comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. The Cyber Security Law further requires network operators to take all necessary measures in accordance with applicable laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to cyber security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data.

On April 13, 2020, the Cyberspace Administration of China, the NDRC, the MIIT, the Ministry of Public Security and eight other government departments jointly issued the Measures for Cyber Security Reviews(2020)(《網絡安全審查辦法》(2020)) or Measures, which take effective from June 1, 2020, stipulating that the procurement of any network product or service by an operator of critical information infrastructure that affects or may affect national security shall be subject to a cybersecurity review under such Measures. On December 28, 2021, the CAC, jointly with the other 12 governmental authorities, issued the Measures for Cyber Security Reviews (2021) (《網絡安全審查辦法》(2021)), or the MCSR, which became effective on February 15, 2022 and repealed the Measures simultaneously. In accordance with the MCSR, critical information infrastructure operators that intend to purchase internet products and services and online platform operators engaging in data processing activities, that affect or may affect national security, shall be subject to cyber security review. The MCSR further elaborates on the factors to be considered when assessing national security risks of the relevant objects or situations, including, among others: (i) the risk of core data, important data, or a large amount of personal information being stolen, leaked, destroyed, and illegally used or illegally transferred outside the country, and (ii) the risk of critical information infrastructure, core data, important data, or a large amount of personal information being affected, controlled, or maliciously used by foreign governments, or the risk of cyber information security, each arising from listing. Article 7 of the MCSR stipulates that an online platform operator which possesses personal information of over one million users and intends to “list abroad” (國外上市) shall be subject to cyber security review (original text reads as follows: “掌握超過100萬用戶個人信息的網絡平台運營者赴國外上市，必須向網絡安全審查辦公室申報網絡安全審查”).

On November 14, 2021, the CAC promulgated the *Regulation on the Administration of Cyber Data Security (Draft for Comments)*> (網絡數據安全管理條例(徵求意見稿)) or the Draft Cyber Data Security Regulation, which covers a wide range of cyber data security issues and governs the use of networks to carry out data processing activities, as well as the supervision and management of data security in the PRC. It mainly addresses issues discussed in the context of the Cyber Security Law of the PRC (中華人民共和國網絡安全法), the Data Security Law of the PRC (中華人民共和國數據安全法) and the Personal Information Protection Law of the PRC (中華人民共和國個人信息保護法). It sets out general guidelines, protection of personal information, security of important data, security management of cross-border data transfer, obligations of internet platform operators, supervision and management, and legal liabilities. Pursuant to Article 13 of the Draft Cyber Data Security Regulation, data processors shall, in accordance with relevant state provisions, apply for cyber security review when carrying out

---

## REGULATORY OVERVIEW

---

the activities including(i) seeking to be listed in Hong Kong that affect or may affect national security and (ii) other data processing activities that affect or may affect national security. However, the Draft Cyber Data Security Regulation provides no further explanation or interpretation for “affect or may affect national security”. As of the Latest Practicable Date, the Draft Cyber Data Security Regulation had not been formally adopted yet.

### REGULATIONS RELATING TO PERSONAL INFORMATION OR DATA PROTECTION

The Data Security Law of the PRC (中華人民共和國數據安全法), promulgated by the Standing Committee of the National People’ Congress on June 10, 2021, effective from September 1, 2021, stipulates that data refers to any record of information in electronic or any other form and data processing includes but is not limited to the collection, storage, use, processing, transmission, provision, and public disclosure of data, relevant entities carrying out data processing activities should comply with laws, regulations and codes of ethics, establish and improve the whole process data security management system in the process of data processing and strengthen risk monitoring. Those handling important data shall conduct regular risk assessments and report to the competent authorities. For the entities conducting data processing activities, it is necessary to establish and improve a whole-process data security management system in accordance with the provisions of laws and regulations, organize and carry out data security education and training, and adopt corresponding technical measures and other necessary measures to ensure data security. The user of Internet and other information networks to carry out data processing activities shall perform the above-mentioned data security protection obligations on the basis of the network security level protection system. Violation of the Data Security Law of the PRC may subject the relevant entities or individuals to warning, fines, suspension of business for rectification, revocation of permits or business licenses, and/or even criminal liabilities. Since the Data Security Law of the PRC is relatively new, uncertainties still exist in relation to its interpretation and implementation.

The Ministry of Industry and Information Technology issued the Measures for the Administration of Data Security in the Field of Industry and Information Technology (Trial) (Draft for Solicitation of Comments) (《工業和信息化領域數據安全管理辦法(試行)(徵求意見稿)》) on September 30, 2021 and the Measures for the Administration of Data Security in the Field of Industry and Information Technology (Trial) (Draft for Solicitation of Public Comments) (《工業和信息化領域數據安全管理辦法(試行)(公開徵求意見稿)》) on February 10, 2022, which refine the national data security management system in the field of industry and information technology and clarify the specific requirements for data classification and graded protection, important data management, etc.

On December 29, 2011, the MIIT issued Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which provides that an Internet information service provider may not collect any user’s personal information or provide any such information to third parties without such user’s consent. Pursuant to the Several Provisions on Regulating the Market Order of Internet Information Services, Internet information service providers are required to, among others, (i) expressly inform the users of the method, content and purpose of the collection and processing of such users’ personal information and may only collect such information necessary for the provision of its services; and (ii) properly maintain the users’ personal information, and in case of any leak or possible leak of a user’s personal information, Internet information service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》), issued by the SCNPC in December 2012, and the Order for the Protection of

---

## REGULATORY OVERVIEW

---

Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》), issued by the MIIT in July 2013, any collection and use of any user personal information must be subject to the consent of the user, and abide to the applicable law, rationality and necessity of the business and fall within the specified purposes, methods and scopes in the applicable laws.

In addition, pursuant to Cyber Security Law of the PRC (《網絡安全法》), the “personal information” refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify individuals’ personal information including but not limited to: individuals’ names, dates of birth, ID numbers, biologically identified personal information, addresses and telephone numbers, etc. The Cyber Security Law also provides that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data is gathered; and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; (iii) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the persons whose data is collected. However, if the information has been processed and cannot be recovered, and thus it is impossible to match such information with specific persons, such circumstance is an exception. Furthermore, under the Cyber Security Law, network operators of key information infrastructure shall store the personal information and important data collected and produced during their operations in the PRC, within the territory of the PRC.

In addition, on May 28, 2020, the NPC adopted the Civil Code, pursuant to which, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

On August 20, 2021, the SCNPC promulgated the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law, which took effect on November 1, 2021. The Personal Information Law sets forth detail rules on personal information protection requirements, including but not limited to more specific inform and consent requirements in various contexts, enhanced individual’ rights, more protective obligations on personal data processors, and enhanced liability of violation of Personal Information Law and privacy litigation. According to the Personal Information Protection Law, personal information refers to any kind of information related to an identified or identifiable natural person as electronically or otherwise recorded, excluding information that has been anonymized. Processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, and deletion of personal information. Processing of personal information shall be for a specified and reasonable purpose, and shall be conducted for a purpose directly relevant to the purpose of processing and in a way that has the least impact on personal rights and interests. Collection of personal information shall be limited to the minimum scope necessary for achieving the purpose of processing and shall not be excessive. A personal information processor may process personal information of an individual after acquiring that individual’s consent which shall be a voluntary and explicit indication of intent given by such individual on a fully informed basis and shall provide an easy way to withdraw consent. The processor

---

## REGULATORY OVERVIEW

---

could also process personal information without the individual' consent in the other circumstances prescribed under the Personal Information Protection Law.

Pursuant to the Regulations for Medical Institutions on Medical Records Management (《醫療機構病歷管理規定》) released on November 20, 2013, and effective from January 1, 2014, the medical institutions and medical practitioners shall strictly protect the privacy information of patients, and any leakage of patients' medical records for non-medical, non-teaching or non-research purposes is prohibited. The NHFPC released the Measures for Administration of Population Health Information (Trial) (《人口健康信息管理辦法(試行)》) on May 5, 2014, which refer the medical health service information as the population healthcare information, and emphasize that such information cannot be stored in offshore servers, and the responsible institutions shall not host or lease offshore servers. Pursuant to the Management Measures of Standards, Safety and Service of National Health and Medical Big Data (Trial) (《國家健康醫療大數據標準、安全和服務管理辦法(試行)》), promulgated by the NHC on July 12, 2018, (i) the National Health Commission (including National Administration of Traditional Chinese Medicine) shall establish mechanisms for healthcare big data sharing, promote healthcare big data sharing and exchange, and lead the establishment of platform for the submission of the healthcare data, the catalog system of information resources and the system for information exchange; (ii) the medical institutions should establish relevant safety management systems, operation instructions and technical specifications to safeguard the safety of healthcare big data generated in the process of health management service or prevention and cure service of diseases, and (iii) healthcare big data should be stored in onshore servers and shall not be provided overseas without safety assessment.

### REGULATIONS RELATING TO INSURANCE BROKERAGE

The legal framework for monitoring and administering insuring activities within the territory of the PRC is underpinned by laws and regulations including the Insurance Law of the PRC (《中華人民共和國保險法》) (the “**Insurance Law**”) promulgated by the SCNPC on June 30, 1995, effective on October 1, 1995 and last amended on April 24, 2015, and administrative regulations, departmental provisions and other regulatory documents stipulated in accordance with the Insurance Law.

#### *Regulations relating to Insurance Brokerage Business*

The Insurance Law provides that an insurance broker is a company that provide intermediary services to insurance policyholders in consideration of commissions in the process of insurance contract formation with insurance companies. The Provisions on the Supervision and Administration of Insurance Brokers (保險經紀人監管規定) (the “**Insurance Brokers Provisions**”), which were promulgated by China Insurance Regulatory Commission (the “**CIRC**”, which was merged into China Banking and Insurance Regulatory Commission (the “**CBIRC**”)) on February 1, 2018 and became effective on May 1, 2018, specify provisions regarding market access, operation rules, exit from market, industry self-discipline, monitoring and inspection and legal obligations for insurance brokers.

Pursuant to the Insurance Law and the Insurance Brokers Provisions, to operate insurance brokerage business within the territory of the PRC, an insurance broker shall satisfy the requirements stipulated by the CIRC and obtain a license to operate insurance brokerage business. The minimum paid-in registered capital of an insurance broker that conducts business within the province it is registered is RMB10 million, while the minimum paid-in registered capital of a cross-province insurance broker is RMB50 million. The registered capital of an insurance broker must be fully paid in cash by shareholders using their self-owned, true and lawful funds instead of bank loans or other funds not owned by shareholders. In addition, an insurance broker shall set up a designated account book to



---

## REGULATORY OVERVIEW

---

record the income and expenditure of the insurance brokerage business. An insurance broker shall open an independent designated account for client funds. The following funds shall only be deposited in the designated account for client funds: (i) insurance premiums paid by policyholders to insurance companies; and (ii) surrender value and pay-outs collected on behalf of policyholders, insured and beneficiaries. An insurance broker shall also open an independent account for commissions it collects.

Pursuant to the Insurance Brokers Provisions, an insurance broker may conduct the following insurance brokerage businesses: (i) making insurance proposals, selecting insurance companies and handling the insurance application procedures for the insurance applicants; (ii) assisting the insured or the beneficiary to claim compensation; (iii) reinsurance brokerage business; (iv) providing consulting services to clients with respect to disaster and damage prevention, risk assessment and risk management; and (v) other business activities approved by the CBIRC.

In February 2013, the CIRC issued the Opinions of the China Insurance Regulatory Commission on Further Exerting the Role of Insurance Brokerage Companies on Promoting the Insurance Innovation (中國保監會關於進一步發揮保險經紀公司促進保險創新作用的意見), pursuant to which the insurance companies and insurance brokerage companies are encouraged to cooperate with each other in development and innovation of insurance products.

### *Regulation relating to Internet Insurance Business*

On July 22, 2015, the CIRC issued the Interim Measures for the Regulation of Internet Insurance Business (互聯網保險業務監管暫行辦法) (the “**Internet Insurance Interim Measures**”), pursuant to which no institutions or individuals other than insurance institutions (namely, insurance companies, insurance agency companies, insurance brokerage companies and other qualified insurance intermediaries) may engage in the internet insurance business. Under the Internet Insurance Interim Measures, insurance institutions are allowed to conduct internet insurance business through both self-operated online platforms and third-party online platforms. Self-operated online platforms refer to online platforms duly set up by insurance institutions. Third-party online platforms refer to online platforms providing network supporting services for internet insurance business activities of insurance consumers and insurance institutions. Both self-operated online platforms and third-party online platforms are required to meet certain conditions and are subject to certain requirements. The Measures for the Regulation of Internet Insurance Business (《互聯網保險業務監管辦法》) (the “**Regulatory Measures**”) were promulgated by CBIRC on December 7, 2020, came into effect on February 1, 2021 and repealed the Internet Insurance Interim Measure simultaneously. According to the Regulatory Measures, “Internet insurance business” refers to insurance operating activities such as conclusion of insurance contracts and provision of insurance services that are conducted by insurance institutions relying on the Internet; Internet insurance business shall be carried out by legally established insurance institutions rather than other institutions or individuals. An insurance institution shall sell internet insurance products or provide insurance brokerage and insurance loss adjustment services via its self-operated network platform or the self-operated network platform of any other insurance institution, and the insurance application page shall belong to its self-operated network platform, except where any government department requires policyholders to complete the entry of insurance application information on the network platform prescribed by the government in the public interest. “Self-operated network platform” refers to any network platform being independently operated while enjoying complete data permission, which is legally established by an insurance institution for the purpose of internet insurance business operation; No network platform established by any branch of an insurance institution or any non-insurance institution with a related-party relationship with an insurance institution in terms of equity, personnel, etc., belongs to the category of self-operated network platform. An insurance institution shall continue to raise the level of risk prevention and

---

## REGULATORY OVERVIEW

---

control of internet insurance business, improve the risk monitoring, early warning and early intervention mechanism, ensure the independence of the operation of its self-operated network platform.

### REGULATIONS RELATING TO CLINICAL TRIALS

The Company offers a one-stop site management organization solution for its clients throughout the entire clinical trial process to ensure the overall efficiency and compliance of clinical trials.

#### *Regulations relating to the Clinical Trials on Drugs*

Pursuant to the Measures for the Administration of Drug Registration (Order of the State Administration for Market Regulation No. 27) 《藥品註冊管理辦法》(國家市場監督管理總局令第27號), which were promulgated on January 22, 2020 and became effective on July 1, 2020, an applicant shall complete relevant research work in terms of pharmacy, pharmacology and toxicology, and drug clinical trials, etc. before applying for drug marketing registration. Drug clinical trials shall be approved, in which bioequivalence trials shall be filed; a drug clinical trial shall be conducted in a drug clinical trial institution that complies with relevant regulations, and shall conform to the Good Clinical Practice.

The Good Practice for Clinical Trails of Drugs (2020) (《藥物臨床試驗質量管理規範》(2020)) (the “GCP (2020)”) (Announcement of the National Medical Products Administration and the National Health Commission [2020] No. 57, effective on July 1, 2020) is a quality standard for the whole process of clinical drug trials involving protocol design, organization and implementation, monitoring, auditing, recording, analysis, summary and reporting. Pursuant to the GCP (2020), a trial protocol shall be distinct, explicit and operable and may be executed only upon the consent of the ethics committee. An investigator shall abide by the relevant trial protocol during a clinical trial, and each medical judgment or clinical decision-making involved shall be made by clinicians. The investigator and the clinical trial institution shall, when authorizing any individual or entity to undertake clinical trial-related responsibilities and functions, ensure that it has the corresponding qualifications, and establish complete procedures to ensure its performance of clinical trial-related responsibilities and functions and the generation of reliable data; and when authorizing any entity other than the clinical trial institution to undertake the trial-related responsibilities and functions, obtain the relevant sponsor’s consent. The quality management system for clinical trials shall cover the whole process of a clinical trial with emphasis on the protection of subjects, reliability of the trial results and compliance with pertinent laws and regulations.

In order to implement the concept of clinical value-oriented and patient-centered research and development and to promote the scientific and orderly development of antitumor drugs, the Center for Drug Evaluation of the NMPA issued the Guiding Principles for Clinical Value-Oriented Clinical Research and Development of Antitumor Drugs (《以臨床價值為導向的抗腫瘤藥物臨床研發指導原則》), or the Guiding Principles, on November 15, 2021. The Guiding Principles provide recommendations for clinical research and development of antitumor drugs from the perspective of patient needs, in order to guide applicants to implement the clinical value-oriented and patient-centered research and development concept during the research and development process.

### REGULATIONS RELATING TO FOREIGN EXCHANGE CONTROL

#### *Foreign Currency Exchange*

Pursuant to the Foreign Exchange Administrative Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, effective on April 1, 1996 and last

---

## REGULATORY OVERVIEW

---

amended on August 5, 2008, and the Administrative Regulations on Foreign Exchange Settlement, Sales and Payment (《結匯、售匯及付匯管理規定》) promulgated by the People's Bank of China on June 20, 1996 and effective on July 1, 1996, Renminbi is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments after the relevant financial institutions have reasonably examined the authenticity of the transactions and their consistency with foreign exchange receipts and payments, but are not freely convertible for capital expenditure items such as direct investment, loans or investments in securities outside the PRC unless the approval of the State Administration of Foreign Exchange (the "SAFE") or its local counterparts is obtained in advance.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "SAFE Circular 19"), which took into effect on June 1, 2015 and replaced the Circular on Issues Relating to the Improvement of Business Operations with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (the "SAFE Circular 142"). The SAFE further promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies for the Administration of Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "SAFE Circular 16") on June 9, 2016, which, among other things, amended certain provisions of the SAFE Circular 19. SAFE Circular 19 and SAFE Circular 16 removed certain restrictions previously provided under SAFE Circular 142 on the conversion by a foreign-invested enterprise of its capital denominated in foreign currency into Renminbi and the use of such Renminbi and allowed foreign invested enterprises to settle their foreign currency-denominated capital at their discretion based on actual needs of their business operations. According to the SAFE Circular 19 and the SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of the SAFE Circular 19 or the SAFE Circular 16 could result in administrative penalties.

On January 26, 2017, the SAFE promulgated the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) (the "SAFE Circular 3"), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to the SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, the SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "SAFE Circular 28"), which expressly allows foreign-invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as there is an authentic investment and such investment is in compliance with the foreign investment-related laws and regulations.

---

## REGULATORY OVERVIEW

---

### *Regulations relating to Foreign Exchange Registration of Overseas Investment by PRC Residents*

On July 4, 2014, the SAFE promulgated the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”) for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. Under the SAFE Circular 37, (1) before the PRC residents or entities conducting investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments; and (2) following the initial registration, they must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term, increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions).

The SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Circular 13**”) on February 13, 2015, which came into effect on June 1, 2015 and allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. The SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary.

## REGULATIONS RELATING TO INTELLECTUAL PROPERTY

### *Trademarks*

The Trademark Law of the PRC (《中華人民共和國商標法》) was promulgated in August 1982, and amended on February 22, 1993, October 27, 2001, August 30, 2013, and latest amended on April 23, 2019 and came into effect on November 1, 2019, and the Implementation Regulations on the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) was promulgated on August 3, 2002 by the State Council and amended on April 29, 2014. The Trademark Law of the PRC and its implementation regulations provide the basic legal framework for the regulations of trademarks in the PRC. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks.

### *Domain Names*

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》) promulgated by the MII on November 5, 2004 and took into effect on December 20, 2004, which was superseded by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and came into effect on November 1, 2017. Domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC Internet domain names. The applicants will become the holders of such domain names upon the completion of the registration procedure.

---

## REGULATORY OVERVIEW

---

### *Patents*

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, which was last amended on October 17, 2020 and took into effect on June 1, 2021, and its Implementation Rules (Revision 2010) (《中華人民共和國專利法實施細則(2010年修訂)》) which were last amended by the State Council on January 9, 2010 and took into effect on February 1, 2010, the National Intellectual Property Administration is responsible for administering patents in the PRC. The patent administration departments of provincial, autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, “invention”, “utility model” and “design”.

### *Copyright*

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, implemented on June 1, 1991 and amended on October 27, 2001, February 26, 2010, and November 11, 2020 (the latest revision came into effective on June 1, 2021), and the Implementing Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002, amended on January 8, 2011, and January 30, 2013 (the latest revision became effective on March 1, 2013), the PRC nationals, legal persons, and other organizations shall, enjoy copyright in their works, whether published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. In order to further implement the Regulations for the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991, and last amended on January 30, 2013, the State Copyright Bureau issued the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) on February 20, 2002, which apply to software copyright registration, license contract registration and transfer contract registration with respect to software copyright.

## REGULATIONS RELATING TO TAXATION

### *Enterprise Income Tax*

According to the Enterprise Income Tax Law of the PRC(《中華人民共和國企業所得稅法》) (the “**EIT Law**”) which was promulgated on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, a unified income tax rate of 25% will be applied towards foreign investment and foreign enterprises which have set up institutions or facilities in the PRC as well as PRC enterprises. Under the EIT Law, enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the unified 25% enterprise income tax rate as to their global income.

Enterprises that are recognized as high and new technology enterprises in accordance with the Administrative Measures for the Determination of High and New Tech Enterprises (《高新技術企業認定管理辦法》) issued by the Ministry of Science, the Ministry of Finance (the “**MOF**”) and the State Administration of Taxation (the “**SAT**”) are entitled to enjoy a preferential enterprise income tax rate of 15%, under which the validity period of the high and new technology enterprise qualification shall be three years from the date of issuance of the certificate. An enterprise can re-apply for such recognition as a high and new technology enterprise before or after the previous certificate expires.

### *Value-added Tax*

According to the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which were promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and were last amended on November 19, 2017, and the Implementation Rules for the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 25, 1993 and amended on December 15, 2008 and October 28, 2011, organizations and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovable and importation of goods in the PRC shall be taxpayers of Value-added Tax (the “VAT”), and all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, the sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay value-added tax.

### *Withholding tax on dividend distribution*

Furthermore, pursuant to the EIT Law and the Implementation Rules on the Enterprise Income Tax of the PRC (《中華人民共和國企業所得稅法實施條例》) which were promulgated on December 6, 2007 and with effect from January 1, 2008 and amended on April 23, 2019, a withholding tax rate of 10% will be applicable to any dividend payable by foreign-invested enterprises to their non-PRC enterprise investors. In addition, pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006 and applicable in Hong Kong to income derived in any year of assessment commencing on or after April 1, 2007 and in mainland China to any year commencing on or after January 1, 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more of equity interest in each such PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% equity interest in that subsidiary. According to the Notice of the SAT on Issues regarding the Implementation of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated on February 20, 2009, recipients of dividends paid by PRC enterprises must satisfy certain requirements in order to obtain a preferential income tax rate pursuant to a tax treaty, one such requirement is that the taxpayer must be the “beneficiary owner” of relevant dividends. In order for a corporate recipient of dividends paid by a PRC enterprise to enjoy preferential tax treatment pursuant to a tax treaty, such recipient must be the direct owner of a certain proportion of the share capital of the PRC enterprise at all times during the 12 months preceding its receipt of the dividends. In addition, the Announcement of the State Administration of Taxation on Issues concerning the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) promulgated on February 3, 2018 and became effective on April 1, 2018, defined the “beneficial owner” as a person who owns or controls income or the rights or property based on which the income is generated, and introduced various factors to adversely impact the recognition of such “beneficiary owners”. On August 27, 2015, the SAT issued the Announcement of the State Administration of Taxation on Promulgation of the “Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties” (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》), effective on November 1, 2015, and amended on June 15, 2018, and October 14, 2019 (the last amendment came into effect on January 1, 2020), which applies to entitlement to tax treaty benefits by non-resident taxpayers incurring tax payment obligation in the PRC. According to the Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties, non-resident taxpayers who make their own declaration shall make self-assessment regarding whether

---

## REGULATORY OVERVIEW

---

they are entitled to tax treaty benefits and submit the relevant materials stipulated in Article 7 of the Measures.

### REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

#### *The Labor Contract Law*

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) which were separately with effect from January 1, 1995 (latest amended on December 29, 2018) and January 1, 2008 (amended on December 28, 2012), respectively, labor contracts shall be concluded if labor relationships are to be established between the employer and the employees.

#### *Social Insurance and Housing Provident Fund*

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on October 28, 2010 and with effect from July 1, 2011 and latest amended on December 29, 2018, and the Interim Regulations on the Collection of Social Insurance Fees (《社會保險費徵繳暫行條例》) issued by the State Council on January 22, 1999 and last amended on March 24, 2019, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. Pursuant to the Notice of the General Office of the State Council on Issuing the Plan for the Pilot Program of Combined Implementation of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於印發<生育保險和職工基本醫療保險合併實施試點方案>的通知》) and Opinions of the General Office of the State Council on Comprehensively Promoting the Implementation of the Combination of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) promulgated on January 19, 2017 and March 6, 2019, the maternity insurance and basic medical insurance for employees shall be consolidated. According to the Social Insurance Law of PRC, employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the relevant administrative department.

Pursuant to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) which were promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing fund payment and deposit registration in the housing provident fund administrative center. For enterprises who violate the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the

---

## REGULATORY OVERVIEW

---

relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration provident fund accounts for their employees within designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative center will order such enterprises to pay up the amount within a prescribed period; if those enterprises still fail to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for mandatory enforcement.

Pursuant to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》), which was promulgated by the General Office of the Communist Party of China and the General Office of the State Council of the PRC on July 20, 2018, from January 1, 2019, all the social insurance premiums including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance will be collected by the tax authorities. According to the Notice of the General Office of the State Taxation Administration on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) promulgated on September 13, 2018 and the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Insurance Premiums (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. Notice of the State Administration of Taxation on Implementing the Several Measures to Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》) promulgated on November 16, 2018, repeats that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years.

### REGULATIONS RELATING TO M&A RULES AND OVERSEAS LISTING

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, SAT, the SAMR, China Securities Regulatory Commission (the “CSRC”) and the SAFE, issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”), which took into effect on September 8, 2006 and were amended by the MOFCOM on June 22, 2009. The M&A Rules, among other things, require that if an overseas company established or controlled by PRC companies or individuals intends to acquire equity interests or assets of any other PRC domestic company affiliated with such PRC companies or individuals, such acquisition must be submitted to MOFCOM for approval. The M&A Rules also require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange. After the FIL and its implementation regulations became effective on January 1, 2020, the provisions of the M&A Rules remain effective to the extent they are not inconsistent with the FIL and its implementation regulations.

On December 24, 2021, the CSRC published the Administrative Provisions of the State Council on the Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草稿徵求意見稿)) (the “Draft Administrative Provisions”), and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (境內企業境外發行證券和上市備案管理辦法(徵求意見稿)) (the



---

## REGULATORY OVERVIEW

---

“Draft Measures for Filing”, together with the Draft Administrative Provisions, the “Drafts relating to Overseas Listings”), both of which were open for public comments until January 23, 2022.

Pursuant to the Drafts relating to Overseas Listings, PRC domestic enterprises that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC joint stock companies; 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. The Drafts relating to Overseas Listings also stipulate certain circumstances in which overseas listing should not be allowed. Failure to complete the filing under the Draft Administrative Provisions may subject a PRC domestic company to a warning and a fine of RMB1 million to RMB10 million. Under serious circumstances, that PRC domestic company may be ordered to suspend its business until rectification, or its permits or businesses license may be revoked.

As of the Latest Practicable Date, the final version and the effective date of the Drafts relating to Overseas Listings were still subject to change with substantial uncertainty.

## CONNECTED TRANSACTIONS

We have entered into certain agreements with parties that will be our connected persons (as defined under Chapter 14A of the Listing Rules). Following the Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under the Listing Rules.

### CONNECTED PERSONS

Following the Listing, the following parties, which have entered into certain written agreements with our Group, will be connected persons of our Group:

Name	Connected Relationship
Mr. Ma	one of our executive Directors
Mr. Li	one of our executive Directors
Medpion Cayman	the holding company of the Excluded Group. As the shareholding structure of Medpion Cayman substantially mirrored our Company's shareholding structure before Series F financing (including our Founders and other major Shareholders), we will voluntarily treat Medpion Cayman as our connected person. See "History, Reorganization and Corporate Structure—Exclusion of Offline Clinics Business" in this prospectus.
Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) ("Tencent Computer")	a subsidiary of Tencent, one of our substantial Shareholders

### SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

The table below sets out our continuing connected transactions that are not fully-exempt under Chapter 14A of the Listing Rules.

Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for each of the years ending December 31, (in RMB million)		
			2022	2023	2024
1. Payment Services Framework Agreement	Rule 14A.35	Announcement requirement	8.00	10.00	12.50
	Rule 14A.76(2)				
	Rule 14A.105				
2. Health Management Services Framework Agreement	Rule 14A.35	Announcement requirement	5.70	13.00	28.00
	Rule 14A.76(2)				
	Rule 14A.105				
3. Contractual Arrangements	Rule 14A.35	Announcement, circular, independent shareholders' approval, annual cap, and three year term requirements	N/A	N/A	N/A
	Rule 14A.36				
	Rule 14A.52				
	Rule 14A.53				
	Rule 14A.105				

#### 1. Payment Services Framework Agreement

##### *Principal terms*

We have entered into a payment services framework agreement dated December 6, 2022 with Tencent Computer (the "**Payment Services Framework Agreement**"), pursuant to which Tencent Group will provide us with payment services through its payment channel to enable our members to pay their insurance premiums for our health insurance plans on our platform through Tencent payment channel.

## CONNECTED TRANSACTIONS

We collect such insurance premiums on behalf of insurance carriers and pay a withdrawal fee to Tencent Group. See “Business—Our Services—Health Insurance Services—Our Health Insurance Plans” in this prospectus.

The Payment Services Framework Agreement shall become effective on the Listing Date and expire on December 31, 2024, subject to renewal upon the mutual consent of both parties.

### ***Pricing policies***

The service fee charged by Tencent Group is calculated as a percentage of the total insurance premiums collected and withdrawn by our Group on our platform through Tencent payment channel. Such pre-determined fee rates are published on the website of Tencent’s subsidiary providing such payment services which also applies to other third parties, and are generally comparable with those offered by Tencent Group’s competitors for services of a similar nature and volume. The service fee rate currently applicable to our Group is 0.60%.

Before entering into any specific agreement under the Payment Services Framework Agreement, we will assess our business needs and compare the terms (including the service fee rate) proposed by Tencent Group with those offered by other comparable service providers. We will also take into account (i) the synergy with our online platform such as our Weixin official account, (ii) the quality and stability of such payment services, and (iii) the familiarity with our business needs.

### ***Historical amount, annual caps and basis for annual caps***

The historical amount and proposed annual caps of service fees charged by Tencent Group for the payment services are set out in the table below:

Historical amount for				the six months ended June 30, 2022 <i>(in RMB million)</i>	Proposed annual cap for each of the years ending December 31, <i>(in RMB million)</i>		
each of the years ended December 31, <i>(in RMB million)</i>			2022		2023	2024	
2019	2020	2021					
—	1.76	3.68	8.00	10.00	12.50		

We have considered, among other things, the following basis in determining the proposed annual caps above:

- (i) our Health Insurance Services business has developed quickly in 2021 and is expected to develop steadily in 2022, 2023 and 2024. As of June 30, 2022, we had launched 24 types of health insurance plans, enrolling approximately 23.9 million individual members and 876 enterprise clients;
- (ii) the total insurance premiums collected on our platform through Tencent payment channel for the year ended December 31, 2021 was approximately RMB749 million, more than twice of those collected in 2020;
- (iii) we expect that the total insurance premium to be collected on our platform through Tencent payment channel will increase by approximately 70% in 2022, and by approximately 25%-30% in each of 2023 and 2024, taking into account, among other things, the Company’s business development plan for its Health Insurance Services business as further detailed in “Future Plans and Use of Proceeds” in this prospectus; and
- (iv) we assume the service fee rate applicable to our Group to remain relatively stable for the three years ending December 31, 2024, which rate has remained unchanged since we started purchasing such service from Tencent in 2020.

---

## CONNECTED TRANSACTIONS

---

### *Reasons for and benefits of the transactions*

Tencent Group is a leading player in the PRC online payment service industry. We offer our health insurance plans on our Weixin official account, and our members pay their insurance premiums through Tencent payment channel. Such cooperation would enable us to provide our users with convenient payment solutions and therefore enhance our members' satisfaction with our services.

### *Listing Rules implications*

The highest applicable percentage ratio under the Listing Rules in respect of such transactions is expected to exceed 0.1% but will be lower than 5%. Therefore, these transactions will be exempt from the independent shareholders' approval requirement, but will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

## **2. Health Management Services Framework Agreement**

### *Principal terms*

We have entered into a health management services framework agreement dated December 6, 2022 with Medpion Cayman (the "**Health Management Services Framework Agreement**"), pursuant to which the Excluded Group will provide our Group with health management services for the individual members enrolled in our Enterprise Health Plans, including physical and mental health consultation. See "Business—Our Services—Health Insurance Services" in this prospectus. We have offered such health management services as part of the promotion efforts for our Enterprise Health Plans. Individual members enrolled in our Enterprise Health Plans will have free access to such health management services provided by the Excluded Group as and when necessary during the term of the Enterprise Health Plans.

The Health Management Services Framework Agreement shall become effective on the Listing Date and expire on December 31, 2024, subject to renewal upon the mutual consent of both parties.

### *Pricing policies*

The service fee charged by the Excluded Group is calculated based on arm's length negotiation between our Group and Excluded Group with reference to the fees charged by other market players for similar services. We historically paid, and currently expect to pay, approximately RMB500 to the Excluded Group for each individual member enrolled in our Enterprise Health Plans who consumes such health management services.

Before entering into any specific agreement under the Health Management Services Framework Agreement, we will assess our business needs and compare the terms (including the service fee) proposed by the Excluded Group with those offered by other service providers for comparable services. We will also take into account (i) the quality and stability of such health management services, and (ii) the familiarity with our business needs.

---

## CONNECTED TRANSACTIONS

---

### *Historical amount, annual caps and basis for annual caps*

The historical amount and proposed annual caps of service fees payable by our Group for the health management services are set out in the table below:

Historical amount for			the six months ended June 30, 2022 (in RMB million)	Proposed annual cap for each of the years ending December 31, (in RMB million)		
each of the years ended December 31, (in RMB million)				2022	2023	2024
2019	2020	2021				
—	—	1.75	1.16	5.70	13.00	28.00

We have considered, among other things, the following basis in determining the proposed annual caps above:

- (i) we expect that the health management services provided by the Excluded Group will cover approximately 2% of the individual members enrolled in our Enterprise Health Plans in 2022, 2023 and 2024. We intend to control our operating costs and limit the offering of such health management services to our key customers with the rapid increase in the number of individual members expected to be enrolled in our Enterprise Health Plans;
- (ii) we expect that the number of individual members enrolled in our Enterprise Health Plans will increase rapidly with the expansion of our Health Insurance Services business to approximately 570 thousand in 2022, approximately 1.3 million in 2023 and further to approximately 2.8 million in 2024;
- (iii) we expect that the service fee paid to the Excluded Group for each individual member enrolled in our Enterprise Health Plans who consumes such health management services to remain relatively stable for the three years ending December 31, 2024; and
- (iv) the transaction amount for the six months ended June 30, 2022 reached RMB1.16 million which was primarily affected by less offline medical activities (other than those related to COVID-19 pandemic) during the Chinese New Year holiday and due to public restrictive measures in response to COVID-19 pandemic.

### *Reasons for and benefits of the transactions*

The Excluded Group has been providing health management services to our Group before and after it was excluded from our Group as disclosed in “History, Reorganization and Corporate Structure—Exclusion of Offline Clinics Business” in this prospectus, and has been familiar with our Health Insurance Services business model and health management demands for the individuals of our enterprise clients. With such services provided by the Excluded Group, we are able to provide high quality health management services to the individuals of our enterprise clients.

### *Listing Rules implications*

The highest applicable percentage ratio under the Listing Rules in respect of such transactions is expected to exceed 0.1% but will be lower than 5%. Therefore, these transactions will be exempt from the independent shareholders’ approval requirement, but will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

---

## CONNECTED TRANSACTIONS

---

### 3. Contractual Arrangements

#### *Background and principle terms*

As disclosed in “Contractual Arrangements” in this prospectus, due to regulatory restrictions on foreign ownership in China, we conduct online insurance brokerage service as part our Health Insurance Services business through the Consolidated Affiliated Entities in China. We do not hold any equity interests in the Consolidated Affiliated Entities, but effectively control the Consolidated Affiliated Entities and are able to derive substantially all of their economic benefits through the Contractual Arrangements. See “Contractual Arrangements” in this prospectus for details.

#### *Listing Rules implications*

Mr. Ma and Mr. Li, two of our executive Directors, are among the Registered Shareholders who have entered into the Contractual Arrangements with our Company. Therefore, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company upon Listing under the Listing Rules.

The highest applicable percentage ratio under the Listing Rules in respect of the transactions associated with the Contractual Arrangements is expected to be more than 5%. As such, these transactions will be subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

#### *Reasons for and benefits of the transactions*

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations. Our Directors also believe that our structure places our Group in a special position in relation to the connected transactions rules whereby the financial results of the Consolidated Affiliated Entities are consolidated into our financial statements as if they were our Company’s wholly-owned subsidiaries, and all the economic benefits of their business flows to our Group.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by the Consolidated Affiliated Entities and any member of our Group from time to time (including the Consolidated Affiliated Entities) (the “**New Intergroup Agreements**”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all such transactions to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including the announcement, circular and independent shareholders’ approval requirements.

### WAIVERS

We expect the non-exempt continuing connected transactions disclosed above will continue after the Listing, and our Directors consider that strict compliance with the announcement, circular and independent shareholders’ approval (as applicable) requirements under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs on our Company.

---

## CONNECTED TRANSACTIONS

---

### **(1) Waivers in Relation to the Payment Services Framework Agreement and the Health Management Services Framework Agreement**

Pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the non-exempt continuing connected transactions under the Payment Services Framework Agreement and the Health Management Services Framework Agreement as described above, subject to the condition that the total transaction amount for each of the three years ending December 31, 2024 shall not exceed the proposed caps set out above.

### **(2) Waivers in Relation to Contractual Arrangements**

In respect of the Contractual Arrangements and the New Intergroup Agreements, we have applied for, and the Stock Exchange has granted us, waivers from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement to set a term of three years or less under Rule 14A.52 of the Listing Rules, and (iii) the requirement to set annual caps under Rule 14A.53 of the Listing Rules subject to the following conditions.

#### ***No change without independent non-executive Directors' approval***

Save as described below, no change to the Contractual Arrangements (including with respect to any fees payable to the WFOE thereunder) will be made without the approval of our independent non-executive Directors.

#### ***No change without independent Shareholders' approval***

Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will however continue to be applicable.

#### ***Economic benefits and flexibility***

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Group's options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the equity interests in the Consolidated Affiliated Entities for nil consideration or the minimum amount of consideration permitted by applicable PRC laws, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOE by our Consolidated Affiliated Entities under the Contractual Arrangements, and (iii) our Group's right to control the management and operation of, as well as, in substance, a substantial portion of the voting rights of the Consolidated Affiliated Entities.

#### ***Renewal and reproduction***

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between (i) our Company and the subsidiaries in which our Company has direct shareholding and (ii) the Consolidated Affiliated Entities, this framework may be renewed and/or reproduced without an

---

## CONNECTED TRANSACTIONS

---

announcement, circular, or obtaining the approval of our Shareholders (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the shareholders or directors of, or of their shareholdings in, the Consolidated Affiliated Entities, or (iii) in relation to any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of our Group.

The directors, chief executive or substantial shareholders of any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of our Group will, upon renewal and/or reproduction of the Contractual Arrangements, be treated as connected persons of our Group and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

This condition is subject to relevant PRC laws, regulations and approvals. Any such renewed or reproduced agreements will be on substantially the same terms and conditions as the existing Contractual Arrangements.

### ***Ongoing reporting and approvals***

We will disclose details relating to the Contractual Arrangements on an ongoing basis:

- (i) the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;
- (ii) our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report that for the relevant year (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Shareholders as a whole;
- (iii) our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have been approved by our Board, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
- (iv) for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and its associates will be treated as connected persons of our Company as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities themselves), and therefore the transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to the applicable requirements under Chapter 14A of the Listing Rules; and



---

## CONNECTED TRANSACTIONS

---

- (v) the Consolidated Affiliated Entities will, for so long as our Shares are listed on the Stock Exchange, provide our Group's management and our Company's auditors with full access to their relevant records for the purpose of reporting on the connected transactions.

### CONFIRMATIONS

#### Confirmation from the Directors

Our Directors (including independent non-executive Directors) are of the view that (i) the non-exempt continuing connected transactions set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole; (ii) the proposed monetary annual caps of the non-exempt continuing connected transactions (where applicable) are fair and reasonable and in the interest of our Company and our Shareholders as a whole; and (iii) it is normal business practice for the relevant agreements underlying the Contractual Arrangements to be of a term greater than three years.

#### Confirmation from the Joint Sponsors

Based on the relevant documents and information provided by the Group and reviewed by the Joint Sponsors and the Joint Sponsors' participation in the due diligence and discussion with the management of the Group, the Joint Sponsors are of the view that (i) the non-exempt continuing connected transactions set out above have been and will be entered into in the Company's ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interest of the Company and its Shareholders as a whole; and (ii) the proposed monetary annual caps of the non-exempt continuing connected transactions (where applicable) are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Based on the relevant documents and information provided by the Group and reviewed by the Joint Sponsors and the Joint Sponsors' participation in the due diligence and discussion with the management of the Group and the PRC Legal Adviser, the Joint Sponsors are also of the view that with respect to the term of the relevant agreements underlying the Contractual Arrangements, it is normal business practice for the Contractual Arrangements of this type to be of a term greater than three years.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

### BOARD OF DIRECTORS

The following table sets forth general information regarding our current Directors:

Name	Position	Age	Date of appointment as Director	Time of joining our Group	Role and responsibilities	Relationship with other Directors and senior management
<b>Mr. MA Xuguang</b> (馬旭廣)	Executive Director, Chairman of the Board and Chief Executive Officer	52	May 19, 2015	March 2014	Presiding over the Board and being responsible for the overall corporate and business strategies of our Group	None
<b>Mr. LI Ji</b> (李繼)	Executive Director and President	45	August 17, 2015	March 2014	Being responsible for overseeing the daily operation and management of our Group	None
<b>Mr. YAO Leiwen</b> (姚磊文)	Non-executive Director	40	October 29, 2019	October 2019	Participating in decision making in respect of major matters such as corporate and business strategies	None
<b>Mr. ZHANG Ziquan</b> (張自權)	Non-executive Director	41	December 11, 2020	December 2020	Participating in Board decision making in respect of major matters such as corporate and business strategies	None
<b>Mr. CHANG Stanley Yi</b> (張翊, alias 張翌軒)	Independent Non-executive Director	64	July 30, 2021 (effective from the Listing Date)	Listing Date	Supervising and providing independent judgment and strategic advice to our Board	None
<b>Mr. HE Haijian</b> (何海建)	Independent Non-executive Director	41	July 30, 2021 (effective from the Listing Date)	Listing Date	Supervising and providing independent judgment and strategic advice to our Board	None
<b>Ms. HUANG Bei</b> (黃蓓)	Independent Non-executive Director	44	July 30, 2021 (effective from the Listing Date)	Listing Date	Supervising and providing independent judgment and strategic advice to our Board	None

Upon Listing, our Board will consist of seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. Pursuant to the Articles of

---

## DIRECTORS AND SENIOR MANAGEMENT

---

Association, our Directors are elected and appointed by our Shareholders at a Shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment. The following sets forth the biographies of our Directors:

### Executive Directors

**Mr. MA Xuguang (馬旭廣)**, aged 52, co-founded with Mr. Li Sipai Beijing Network in March 2014 and our Company in May 2015, and has been our Director, Chairman of the Board and the Chief Executive Officer since then. Mr. Ma was re-designated as our executive Director in July 2021.

Mr. Ma has over 20 years' sales & marketing and management experience in healthcare industry. Prior to joining our Group, Mr. Ma served as a district sales manager of Schering-Plough Corporation, currently a subsidiary of Merck & Co., Inc. (a company listed on the New York Stock Exchange, stock code: MRK), from June 1997 to October 2004. He then joined Schering AG (currently known as Bayer HealthCare Pharmaceuticals Inc.), a subsidiary of Bayer AG (a company listed on the Frankfurt Stock Exchange, stock code: BAYN), as the head of sales from August 2004 to September 2012. From January 2013 to March 2014, Mr. Ma served as the chief executive officer of Guangjijunhe (Beijing) Medical Technology Co., Ltd. (廣繼君和 (北京) 醫療科技有限公司).

Mr. Ma obtained his bachelor's degree in clinical medicine from Harbin Medical University (哈爾濱醫科大學) in July 1994.

**Mr. LI Ji (李繼)**, aged 45, co-founded with Mr. Ma Sipai Beijing Network in March 2014 and our Company in May 2015. He has been our Director since August 2015 and President since March 2020. Mr. Li was re-designated as our executive Director in July 2021.

Prior to joining our Group, Mr. Li served as the district manager of Schering-Plough (China) Co., Ltd. (先靈葆雅 (中國) 有限公司) from January 2002 to June 2008. Mr. Li served as a regional sales manager of Bayer (China) Ltd., a subsidiary of Bayer AG (a company listed on the Frankfurt Stock Exchange, stock code: BAYN), from June 2008 to March 2010. Mr. Li re-joined Bayer (China) Ltd. and served as a regional sales manager from February 2011 to December 2012. He then joined Guangjijunhe (Beijing) Medical Technology Co., Ltd. (廣繼君和 (北京) 醫療科技有限公司) as the general manager from January 2013 to March 2014.

Mr. Li graduated from the Shanxi Medical University (山西醫科大學) in July 2000, majoring in medical image. He then received his MBA degree from the Beijing Jiaotong University (北京交通大學) in January 2011.

### Non-executive Directors

**Mr. YAO Leiwen (姚磊文)**, aged 40, joined our Group in October 2019 and has served as our Director since then. He was re-designated as a non-executive Director of our Company in July 2021.

Mr. Yao was an associate at Deutsche Bank from February 2005 to August 2008 and an investment director at Shenzhen Mindray Bio-Medical Electronics Co., Ltd. from October 2010 to June 2011. He has served as a Vice General Manager of Tencent Investment Department of Tencent since June 2011.

Mr. Yao received his bachelor's degree in Economic Information Management (經濟信息管理) and master's degree in finance from University of International Business and Economics (對外經濟貿易大學) in July 2002 and July 2005, respectively. He obtained his master's degree in Business Administration from Institut Européen D'administration des Affaires (INSEAD) in France in 2010.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

**Mr. ZHANG Ziquan (張自權)**, aged 41, joined our Group in December 2020 and has served as our Director since then. He was re-designated as a non-executive Director of our Company in July 2021.

Mr. Zhang has served as a responsible officer of Jeneration Capital Advisors (Hong Kong) Limited since March 2018. Before that, Mr. Zhang worked with Coatue Management as a managing director from September 2014 to January 2017 and worked as an investment professional at DCM, a global venture capital fund, from July 2009 to August 2014. Mr. Zhang has obtained extensive experience in business management, financial management and investment in his past experience which is of help to the business development and corporate governance of our Group.

Mr. Zhang obtained his bachelor's degree in accounting from Peking University (北京大學) in July 2003, and received his MBA degree from Harvard University in June 2009.

### Independent Non-executive Directors

**Mr. CHANG Stanley Yi (張翊, alias 張翌軒)**, aged 64, was appointed as our independent non-executive Director on July 30, 2021 (effective from the Listing Date).

Mr. Chang is currently a standing council member of China Institute of Internal Audit, and a member of Auditing Expert Panel of Asian Development Bank. Mr. Chang has been an independent non-executive director of Nongfu Spring Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 9633) since March 2020. Mr. Chang also has been an independent director and chairman of audit committee of Cowealth Medical China Co.,Ltd. (合富(中國)醫療科技股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603122) since April 2019. Mr. Chang has been a professor at Shanghai Advanced Institute of Finance of Shanghai Jiaotong University since July 2018. He was a professor at National Taiwan University from August 2016 to June 2018. Prior to that, Mr. Chang successively served as the chief operating officer of MarcumBP where he also led its China advisory services; managing partner of China advisory services and global business risk services leader for Grant Thornton; and partner of business risk services and Asia Pacific life sciences leader for Ernst & Young from September 2007 to October 2016.

Mr. Chang received his bachelor's degree in business administration from National Taiwan University in June 1980; his master's degree in accounting from University of Missouri-Columbia in the United States in August 1983; and his PhD from Texas Tech University in the United States in August 1987. Mr. Chang is a Certified Public Accountant of Texas, United States.

**Mr. HE Haijian (何海建)**, aged 41, was appointed as our independent non-executive Director on July 30, 2021 (effective from the Listing Date).

Mr. He has been the chief financial officer of Kingsoft Cloud Holdings Limited (a company listed on the Nasdaq, stock code: KC) since January 2020. Mr. He served as an executive director in the corporate finance department at Goldman Sachs (Asia) LLC from September 2015 to January 2020. Mr. He was an associate at Bank of America Merrill Lynch from May 2014 to September 2015, and a vice president at Citigroup Global Markets Inc. from October 2010 to May 2013.

Mr. He obtained his bachelor's degree in information system from Southeast University (東南大學) in June 2003, a master's degree in electromagnetic field and microwave technology from Southeast University in April 2006, and received an MBA from University of Chicago in March 2014. Mr. He is also a CFA charter holder.

**Ms. HUANG Bei (黃蓓)**, aged 44, was appointed as our independent non-executive Director on July 30, 2021 (effective from the Listing Date).

---

## DIRECTORS AND SENIOR MANAGEMENT

---

Ms. Huang served as a vice president of Fidelity Ventures in Shanghai office from November 2011 to February 2015. She has served as the president of Bonre Orthopedics Hospital Group Co., Ltd. (邦爾骨科醫院集團股份有限公司) since March 2015.

Ms. Huang received her bachelor's degree in chemical engineering from Zhejiang University in June 2000, her master's degree in engineering from University of Michigan-Ann Arbor in the United States in December 2004, and her MBA degree from University of Pennsylvania in the United States in June 2009.

### Other Disclosure Pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed in this prospectus, each of our Directors confirms with respect to himself or herself, to the best of his or her knowledge, information and belief, that as of the Latest Practicable Date, (1) he or she did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO); (2) he or she had no other relationship with any Directors, senior management or substantial shareholders of our Company; (3) he or she did not hold any other directorships in the last three years in any public companies whose securities are listed on any securities market in Hong Kong and/or overseas; and (4) there were no other matters concerning his or her appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Each of our Director confirms that he or she does not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

### SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of our Group:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date of appointment as senior management</u>	<u>Date of joining our Group</u>	<u>Role and responsibilities</u>	<u>Relationship with other Directors and senior management</u>
<b>Mr. MA Xuguang</b> (馬旭廣)	Chairman of the Board and Chief Executive Officer	52	May 2015	March 2014	Presiding over the Board and being responsible for the overall corporate and business strategies of our Group	None
<b>Mr. LI Ji</b> (李繼)	President	45	August 2015	March 2014	Being responsible for overseeing the daily operation and management of our Group	None

---

## DIRECTORS AND SENIOR MANAGEMENT

---

Name	Position	Age	Date of appointment as senior management	Date of joining our Group	Role and responsibilities	Relationship with other Directors and senior management
<b>Mr. ZHOU Teng</b> (周騰)	Chief Strategy Officer	35	January 2019	January 2019	Being responsible for formalizing, implementing, overseeing the overall strategic planning and finance and investment functions of our Group	None
<b>Mr. LI Qi'ang</b> (李騎昂)	Chief Operating Officer	40	April 2019	April 2019	Being responsible for overseeing the day-to-day administrative and operation of our Group	None

**Mr. MA Xuguang** (馬旭廣), is an executive Director, Chairman of the Board and Chief Executive Officer of our Company. For details, see “—Board of Directors—Executive Directors” in this section.

**Mr. LI Ji** (李繼), is an executive Director and President of our Company. For details, see “—Board of Directors—Executive Directors” in this section.

**Mr. ZHOU Teng** (周騰), aged 35, has been our Chief Strategy Officer since January 2019. Mr. Zhou is responsible for formalizing, implementing, overseeing the overall strategic planning and finance and investment functions of our Group.

Prior to joining our Group, Mr. Zhou served as a consultant of Roland Berger Strategy Consultants from 2008 to 2010. From 2010 to 2011, he served as a senior consultant of International Business Machines Corporation. Mr. Zhou joined Bayer Healthcare Co., Ltd., a subsidiary of Bayer AG (a company listed on the Frankfurt Stock Exchange, stock code: BAYN), as a strategy manager from 2011 to 2012. He then served as a vice president of Eight Roads Capital (previously known as Fidelity Growth Partners Asia) from September 2014 to January 2019.

Mr. Zhou obtained his bachelor's degree in biotechnology (生物技術) from Peking University (北京大學) in July 2008 and received an MBA from Columbia University in the City of New York in May 2014. Mr. Zhou was awarded a gold medal in 15<sup>th</sup> International Biology Olympiad in 2004.

**Mr. LI Qi'ang** (李騎昂), aged 40, has been our Chief Operating Officer since April 2019. Mr. Li is responsible for overseeing the day-to-day administrative and operation of our Group.

Prior to joining our Group, Mr. Li served as the vice-general manager of health insurance business unit at 掛號網 (杭州) 科技有限公司, a subsidiary of We Doctor Holdings Limited from November 2014 to February 2016. Mr. Li joined Baidu Online Network Technology (Beijing) Co., Ltd. (百度在線網絡技術 (北京) 有限公司), a subsidiary of Baidu Inc. (a company listed on the Nasdaq, stock code: BIDU)) from February 2016 to March 2017 with his last position as senior product designer of medical business unit. He then joined Beijing Harmony Tianming Investment Center (Limited Partnership) (和

---

## DIRECTORS AND SENIOR MANAGEMENT

---

譜天明投資管理（北京）有限公司), an investment vehicle of IDG Capital, from March 2017 to January 2018 as an investment manager. From February 2018 to March 2019, Mr. Li served as an investment vice-president at Legend Star Capital (聯想之星).

Mr. Li obtained his bachelor's degree in biological sciences from Tsinghua University (清華大學) in July 2004. He received his doctoral degrees in chemical biology and chemistry from Max Planck Institute of Molecular Physiology and Technical University of Dortmund in Germany, respectively, in September 2011.

### JOINT COMPANY SECRETARIES

**Ms. REN Na (任娜)**, aged 45, was appointed as one of our joint company secretaries in July 2021. Ms. Ren joined in our Group in July 2020 and has served as the general counsel since then.

Prior to joining our Group, Ms. Ren worked in the legal department of Hangzhou CPMC Co., Ltd. (杭州中糧包裝有限公司), a subsidiary of CPMC Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 0906)) from May 2010 to October 2011. From November 2011 to November 2014, Ms. Ren served as the group legal manager of PAIG (China) Automobile Investment Co., Ltd. (寶愛捷(中國)汽車投資有限公司). She then served as a legal specialist of ZhongAn Online P & C Insurance Co., Ltd. (眾安在綫財產保險股份有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code:6060), from March 2017 to July 2020.

Ms. Ren obtained her bachelor's degree in international economic law from East China University of Political Science and Law (華東政法大學) in July 2000 and master's degree in international and transnational law from Chicago-Kent College of Law, Illinois Institute of Technology in the United States in May 2016.

**Ms. TSANG Wing Man (曾穎雯)**, was appointed as a company secretary of our Company in April 2022. Ms. Tsang is a manager of SWCS Corporate Services Group (Hong Kong) Limited and has over 10 years of experience in company secretarial matters. She holds a bachelor's degree in business management from City University of Hong Kong. Ms. Tsang is an associate member of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in England and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries).

### BOARD COMMITTEES

Our Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations, the Articles and the Listing Rules, we have established our audit committee, remuneration and appraisal committee, nomination committee and strategy committee.

#### Audit Committee

We have established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of Mr. CHANG Stanley Yi, Mr. HE Haijian and Ms. HUANG Bei, with Mr. CHANG Stanley Yi being the chairman of the committee.

The primary function of the audit committee is to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit

---

## DIRECTORS AND SENIOR MANAGEMENT

---

process and performing other duties and responsibilities as assigned by our Board which includes, amongst other things:

- proposing to the Board the appointment and replacement of external audit firms;
- supervising the implementation of our internal audit system;
- liaising between our internal audit department and external auditors;
- reviewing our financial information and related disclosures; and
- other duties conferred by the Board.

### **Remuneration and Appraisal Committee**

We have established a remuneration and appraisal committee with terms of reference in compliance with paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of Mr. HE Haijian, Mr. Li and Ms. HUANG Bei, with Mr. HE Haijian being the chairman of the committee.

The primary function of the remuneration committee is to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration packages of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements which includes, amongst other things:

- establishing, reviewing and making recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management;
- determining the terms of the specific remuneration package of each Director and members of senior management;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and
- other duties conferred by the Board of Directors.

### **Nomination Committee**

We have established a nomination committee with terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of Mr. Ma, Mr. HE Haijian and Mr. CHANG Stanley Yi, with Mr. Ma being the chairman of the committee.

The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors which includes, amongst other things:

- reviewing the structure, size and composition of our Board on a regular basis and making recommendations to the Board regarding any proposed changes;
- identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships;
- assessing the independence of our independent non-executive Directors;
- making recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of our Directors; and
- other duties conferred by the Board.



---

## DIRECTORS AND SENIOR MANAGEMENT

---

### Strategy Committee

We have established a strategy committee consists of Mr. Ma, Mr. Li, Mr. YAO Leiwen and Mr. ZHANG Ziquan, with Mr. Ma being the chairman of the committee. The primary duties of the strategy committee are to study and advise on the long term strategy and operation plans of our Group. The strategy committee will assist the Board, in conjunction with our management, in addressing our Company's overall mission, vision and strategic direction. Areas of focus will include: providing the Board and management, as applicable, with input and recommendations with respect to key strategic initiatives and major R&D programs and partnerships; and assisting management in establishing a strategic planning process, identifying and addressing organizational challenges and evaluating strategic alternatives.

### CORPORATE GOVERNANCE

#### Board Diversity

Our Board has adopted a board diversity policy which sets out the objective and approach to achieve diversity of our Board. Our Company recognizes the benefits of having a diversified Board and sees increasing diversity at the Board level as an essential element in supporting the achievement of our Company's strategic objectives and sustainable development. Our Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Director appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Upon Listing, our Board will consist of six male members and one female member with three Directors of age 31 to 40 years old, three Directors of age 41 to 50 years old and one Director of age over 60 years old. Our Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable our Company to maintain high standard of operation.

One out of seven of our Directors will be female upon Listing, and we have been taking and will continue to take steps to maintain that our Board will have at least one female Director after the Listing. Further, we have been taking, and will continue to take steps to promote gender diversity at our Board and management levels. Our board diversity policy provides that our Board should aim to increase the proportion of female members over time after the Global Offering where possible when selecting and making recommendations on suitable candidates for our Board appointments. Our Company will (i) consider the possibility of appointing female senior management who has the necessary skills and experience; (ii) ensure that gender diversity is promoted in our Group by recruiting staff at middle to senior level; (iii) provide career development and training opportunities to our female staff whom we consider having the suitable experience, skill and knowledge of our operation and business to prepare them with the required attributes and competencies to serve as members of our Board with regards to our strategic needs and the industry in which we operate, such that they will be eligible for managerial and board-level positions in the future; and (iv) identify and select suitable female candidates to become our Board members and such candidates will be reviewed and recommended by our nomination committee to our Board periodically. We are of the view that the above measures will offer greater prospects for securing a pipeline of female candidates to achieve further gender diversity in our Board in the long run.

The nomination committee is responsible for reviewing the diversity of our Board. After the Global Offering, the nomination committee will supervise and assess the implementation status of the

---

## DIRECTORS AND SENIOR MANAGEMENT

---

diversity policy of our Board from time to time, and we will disclose the implementation status of our board diversity policy in our annual corporate governance report, including the implementation of our board diversity policy against any measurable target, and the progress of realizing such target. We will also continue to adopt measures to promote the gender diversity at all levels in our Company.

### **Code Provision A.2.1 of the Corporate Governance Code**

Mr. Ma is our Chairman of the Board and Chief Executive Officer of our Company. With extensive experience in the healthcare industry and having served in our Company since March 2014, Mr. Ma is in charge of the overall corporate and business strategies of our Group. Our Board considers that vesting the roles of Chairman of the Board and Chief Executive Officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of our Board and our senior management, which comprises experienced and visionary individuals. Upon Listing, our Board will comprise two executive Directors (including Mr. Ma), two non-executive Directors and three independent non-executive Directors, and therefore will have a strong independence element in its composition.

Save as disclosed above, our Company intends to comply with all applicable code provisions under the Corporate Governance Code after the Listing.

### **EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT**

We offer our executive Directors and senior management members, who are also employees of our Company, emolument in the form of salaries, allowances and benefits in kind, performance related bonuses, share-based payment compensation and pension scheme contributions. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees).

For the three years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2022, the aggregate amount of emolument paid by our Company to our Directors were RMB7.05 million (including RMB1.23 million share-based payment compensation), RMB52.12 million (including RMB46.71 million share-based payment compensation), RMB121.03 million (including RMB117.65 million share-based payment compensation) and RMB43.95 million (including RMB42.39 million share-based payment compensation), respectively. It is estimated that under the arrangements currently in force, the aggregate emolument (excluding any possible payment of discretionary bonus and share-based payment compensation) payable to the Directors for the year ending December 31, 2022 will be approximately RMB3.82 million (not including the share-based payment compensation).

For the three years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2022, the aggregate amount of emolument paid by our Company to the five highest paid individuals were RMB9.28 million (including RMB3.72 million share-based payment compensation), RMB103.95 million (including RMB96.12 million share-based payment compensation), RMB233.23 million (including RMB225.50 million share-based payment compensation) and RMB81.23 million (including RMB77.52 million share-based payment compensation), respectively. During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office in connection with the management of the affairs of our Company or any subsidiary.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

During the Track Record Period, none of our Directors waived or agreed to waive any emolument. Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals during the Track Record Period.

### COMPLIANCE ADVISER

We have appointed Alliance Capital Partners Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- (a) before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- (b) where a transaction, which might constitute a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and securities repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

Alliance Capital Partners Limited will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. Alliance Capital Partners Limited will also inform us of any amendment or supplement to applicable laws and guidelines.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute the annual report of the first full financial year commencing after the Listing.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the outstanding 2017 Plan Option, the following persons will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company:

<u>Name</u>	<u>Capacity/nature of interest<sup>(1)</sup></u>	<u>Number of Shares held immediately following completion of the Global Offering<sup>(2)</sup></u>	<u>Approximate percentage of shareholding in total shares capital of our Company immediately following completion of the Global Offering</u>
Mr. Ma <sup>(3)(4)(5)</sup>	Interest in controlled corporation; interest held jointly with another person	163,534,455	21.43%
Mr. Li <sup>(3)(4)(5)</sup>	Interest in controlled corporation; interest held jointly with another person	163,534,455	21.43%
Wise Approach <sup>(3)(4)(5)</sup>	Beneficial owner; interest held jointly with another person	163,534,455	21.43%
Creative Pioneer <sup>(3)(4)(5)</sup>	Beneficial owner; interest held jointly with another person	163,534,455	21.43%
Sail Far <sup>(3)(4)(5)</sup>	Beneficial owner; interest held jointly with another person	163,534,455	21.43%
Lucky Seven <sup>(4)</sup>	Beneficial owner	57,000,000	7.47%
Simul International Holdings Limited <sup>(4)</sup> (“ <b>Simul</b> ”)	Interest in controlled corporation	57,000,000	7.47%
Spire-succession Limited <sup>(5)</sup> (“ <b>Spire-succession</b> ”)	Beneficial owner	40,000,000	5.24%
Shining-succession Limited <sup>(5)</sup> (“ <b>Shining-succession</b> ”)	Interest in controlled corporation	40,000,000	5.24%
Tencent Mobility Limited <sup>(6)</sup> (“ <b>Tencent Mobility</b> ”)	Beneficial owner	168,266,382	22.05%
TPP Follow-on I Holding H Limited <sup>(6)</sup> (“ <b>TPP Follow-on</b> ”)	Beneficial owner	40,852,974	5.35%
Tencent <sup>(6)</sup>	Interest in controlled corporation	209,119,356	27.41%
Eight Roads Investments <sup>(7)</sup>	Beneficial interest; interest in controlled corporation	68,231,737	8.94%
Eight Roads Holdings Limited <sup>(7)</sup>	Interest in controlled corporation	68,853,538	9.02%
Eight Roads Shareholdings Limited <sup>(7)</sup>	Interest in controlled corporation	68,853,538	9.02%
Pandanus Partners L.P. <sup>(7)</sup>	Interest in controlled corporation	68,853,538	9.02%
Pandanus Associates Inc. <sup>(7)</sup>	Interest in controlled corporation	68,853,538	9.02%
Impresa Fund III Limited Partnership <sup>(7)</sup>	Beneficial interest; interest in controlled corporation	69,191,196	9.07%
Impresa Management LLC <sup>(7)</sup>	Interest in controlled corporation	69,324,439	9.09%
Abigail P. Johnson <sup>(7)</sup>	Interest in controlled corporation	69,324,439	9.09%
Edward C. Johnson IV <sup>(7)</sup>	Interest in controlled corporation	69,324,439	9.09%
FMR LLC <sup>(7)</sup>	Interest in controlled corporation	69,324,439	9.09%
Mr. Jimmy Ching-Hsin Chang <sup>(8)</sup>	Interest in controlled corporation	53,072,466	6.96%

---

## SUBSTANTIAL SHAREHOLDERS

---

*Notes:*

- (1) All interests stated are long positions.
- (2) The table above assumes the Preferred Shares will be automatically converted into Ordinary Shares of par value US\$0.0001 each upon completion of the Global Offering.
- (3) On August 5, 2021, Mr. Ma, Mr. Li, Wise Approach, Creative Pioneer and Sail Far entered into a concert party agreement to confirm that they have acted in concert in the management, decision-making and all major decisions of our Group. As such, each of Mr. Ma, Mr. Li, Wise Approach, Creative Pioneer and Sail Far is deemed to be interested in the Shares in which each other is interested.

Each of Wise Approach, Creative Pioneer and Sail Far was incorporated in BVI as a limited company as an employee incentive platform for our employees, and beneficially owns 40,410,926, 16,119,529 and 10,004,000 Ordinary Shares of our Company, respectively.

- (4) Lucky Seven beneficially owns 57,000,000 Shares. As of the Latest Practicable Date, Lucky Seven was owned as to approximately 0.02% by Simul, a wholly-owned company incorporated in BVI of Mr. Ma, 21.93% by Saludem Holdings Limited and 78.05% by Hygeia, both of which are the holding companies pursuant to the family trust of Mr. Ma respectively. As such, under the SFO, each of Simul and Mr. Ma is deemed to be interested in the equity interest held by Lucky Seven.
- (5) Spire-succession beneficially owns 40,000,000 Shares. As of the Latest Practicable Date, Spire-succession was owned as to approximately 0.0002% by Shining, a wholly-owned company incorporated in BVI of Mr. Li and 99.9998% by Sper-succession, a holding company pursuant to the family trust of Mr. Li, respectively. As such, under the SFO, each of Shining-succession and Mr. Li is deemed to be interested in the equity interest held by Spire-succession.
- (6) Tencent Mobility beneficially owns 168,266,382 Shares of our Company and is a limited liability company incorporated under the laws of Hong Kong, which is a wholly-owned subsidiary of Tencent. TPP Follow-on beneficially owns 40,852,974 Shares of our Company and is a limited liability company incorporated under the laws of the Cayman Islands, which is controlled by Tencent. As such, under the SFO, Tencent is deemed to be interested in the equity interest held by each of Tencent Mobility and TPP Follow-on.
- (7) Eight Roads Investments directly holds 28,752,315 Shares. In addition, it has more than one-third interest in each of Asia Ventures III L.P., ERVC Healthcare IV L.P. and F-Prime Capital Partners Healthcare Fund IV LP as a limited partner. Therefore, under the SFO, Eight Roads Investments is deemed to be interested in the 14,886,744 Shares directly held by Asia Ventures III L.P., 12,748,851 Shares directly held by ERVC Healthcare IV L.P. and 11,843,827 Shares directly held by F-Prime Capital Partners Healthcare Fund IV LP respectively.

Eight Roads Holdings Limited is the sole shareholder of Eight Roads Investments. In addition, Eight Roads GP is indirectly wholly owned by Eight Roads Holdings Limited and Eight Roads GP is the general partner of Asia Partners III LP and ERVC Healthcare Advisors IV LP. Therefore, under the SFO, Eight Roads Holdings Limited is deemed to be interested in the 334,952 Shares directly held by Asia Partners III LP, 286,849 Shares directly held by ERVC Healthcare Advisors IV LP and 68,231,737 Shares in which Eight Roads Investments is interested.

Eight Roads Holdings Limited is owned as to more than one-third by Eight Roads Shareholdings Limited and Pandanus Partners L.P., whose general partner is Pandanus Associates Inc. Therefore, under the SFO, each of Eight Roads Shareholdings Limited, Pandanus Partners L.P. and Pandanus Associates Inc. is deemed to be interested in the Shares in which Eight Roads Holdings Limited is interested.

Impresa Fund III Limited Partnership directly holds 29,711,774 Shares. In addition, it has more than one-third interest in each of Asia Ventures III L.P., ERVC Healthcare IV L.P. and F-Prime Capital Partners Healthcare Fund IV LP as a limited partner. Therefore, under the SFO, Impresa Fund III Limited Partnership is deemed to be interested in the 14,886,744 Shares directly held by Asia Ventures III L.P., 12,748,851 Shares directly held by ERVC Healthcare IV L.P. and 11,843,827 Shares directly held by F-Prime Capital Partners Healthcare Fund IV LP respectively.

Impresa Management LLC is the general partner of Impresa Fund III Limited Partnership. Therefore, under the SFO, it is deemed to be interested in the 69,191,196 Shares in which Impresa Fund III Limited Partnership is interested. In addition, Impresa Management LLC is the managing member of Impresa Holdings LLC, which is the general partner of F-Prime Capital Partners Healthcare Advisors Fund IV LP. Therefore, under the SFO, Impresa Management LLC is also deemed to be interested in the 133,243 Shares directly held by F-Prime Capital Partners Healthcare Advisors Fund IV LP.

Impresa Management LLC is controlled (as defined under the SFO) by each of Abigail P. Johnson and Edward C. Johnson IV and owned, directly or indirectly, by various shareholders and employees of FMR LLC. Therefore, each of Abigail P. Johnson, Edward C. Johnson IV and FMR LLC is deemed to be interested in the Shares in which Impresa Management LLC is interested.

- (8) JenCap RX and JenCap RX Partners L.P. beneficially owns 25,577,092 and 27,495,374 Shares of our Company.

JenCap RX, a company incorporated in Cayman Islands, is wholly owned by Jeneration Capital Partners II L.P., a Cayman Islands limited partnership of which Jeneration Capital GP II is the general partner. As such, under the SFO, Jeneration Capital GP II is deemed to be interested in the equity interest held by JenCap RX. Jeneration Capital GP II is ultimately controlled by Mr. Jimmy Ching-Hsin Chang. As such, under the SFO, Mr. Jimmy Ching-Hsin Chang is deemed to be interested in the equity interest held by JenCap RX.

JenCap RX Partners L.P. is a Cayman Islands limited partnership of which JenCap RX GP is the general partner. As such, under the SFO, JenCap RX GP is deemed to be interested in the equity interest held by JenCap RX Partners L.P. JenCap RX GP is ultimately controlled by Mr. Jimmy Ching-Hsin Chang. As such, under the SFO, Mr. Jimmy Ching-Hsin Chang is deemed to be interested in the equity interest held by JenCap RX Partners L.P.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming neither the Over-allotment Option nor any outstanding 2017 Plan Option is exercised), have any interest and/or short positions in the Shares or

---

## **SUBSTANTIAL SHAREHOLDERS**

---

underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

---

## SHARE CAPITAL

---

### AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering.

#### Authorized Share Capital

*As of the Latest Practicable Date and upon completion of the Global Offering*

<u>Number</u>	<u>Description of Shares</u>	<u>Aggregate par value</u>
2,000,000,000 . . . .	Shares of US\$0.0001 each	US\$200,000.00

#### Issued Share Capital

*Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering (assuming no exercise of the Over-allotment Option)*

<u>Number</u>	<u>Description of Shares</u>	<u>Aggregate par value</u>	<u>Approximate percentage to total issued share capital</u>
216,530,455 . . . . .	Ordinary Shares in issue as of the Latest Practicable Date	US\$21,653.0455	28.38%
536,575,459 . . . . .	Ordinary Shares to be converted from Preferred Shares	US\$53,657.5459	70.32%
9,919,400 . . . . .	Ordinary Shares to be issued pursuant to the Global Offering	US\$ 991.9400	1.30%
<u>763,025,314</u>		<u>US\$76,302.5314</u>	<u>100%</u>

#### ASSUMPTION

The above table assumes that the Global Offering has become unconditional and the Shares are issued pursuant to the Global Offering (assuming no exercise of the Over-allotment Option). It takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

#### RANKING

Upon completion of the Global Offering, the Shares are ordinary Shares in the share capital of our Company and rank *pari passu* in all respects with all ordinary Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid after the date of this prospectus.

#### CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Upon completion of the Global Offering, our Company will have only one class of Shares, namely ordinary Shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders to (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) sub-divide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may reduce its share capital by special resolution, subject to Section

---

## SHARE CAPITAL

---

37 of the Cayman Companies Act and confirmation by the Grand Court of the Cayman Islands. For more details, see “Appendix III—Summary of the Constitution of Our Company and the Cayman Islands Company Act” in this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to, inter alia, allot, issue and deal with Shares, securities convertible into Shares (the “Convertible Securities”) or options, warrants or similar rights to subscribe for any Shares or such convertible securities (the “Options and Warrants”) and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (taking into account the Shares which may be issued upon the exercise of the Over-allotment Option); and
- (ii) the nominal amount of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders. Such mandate will remain in effect until:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, please see “Appendix IV—Statutory and General Information—A. Further Information about Our Group—4. Resolutions of our Shareholders” in this prospectus.



---

## FINANCIAL INFORMATION

---

*You should read the following discussion and analysis in conjunction with our audited consolidated financial information, included in the Accountants' Report in Appendix I to this prospectus, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. In evaluating our business, you should carefully consider the information provided in "Risk Factors" in this prospectus.*

### OVERVIEW

We connect and deliver clear values to patients, doctors, medical institutions, pharmaceutical companies and payers across China's healthcare system through our robust technology platform and data-enabled operational capabilities. We currently run three business lines, including Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services.

- *Specialty Pharmacy Business.* Our Specialty Pharmacy Business line contains specialty pharmacy and globally professional pharmacist services. Patients are not only able to obtain advanced specialty medicines from us, they can also receive services from medicine guidance, follow-up assessment and monitoring, to AE consulting.
- *Physician Research Assistance.* Our Physician Research Assistance business line comprises of SMO and real-world study service. Through those services, we facilitate pharmaceutical companies on their medicine R&D in clinical development.
- *Health Insurance Services.* Our Health Insurance Services business line provides our members access to a national network of medical institutions and doctors for full-spectrum medical and health management services. In addition we also partner with major insurance carriers, and co-developed and offered specialized insurance products to our members.

Our total revenue increased by 159.8% from RMB1,039.0 million in 2019 to RMB2,699.6 million in 2020, and further increased by 28.7% to RMB3,473.9 million in 2021. For the six months ended June 30, 2022, we generated revenue of RMB1,887.7 million, representing increase of 21.8% from RMB1,550.0 million for the six months ended June 30, 2021. In 2019, 2020, 2021 and the six months ended June 30, 2022, our loss before tax for the year/period was RMB596.0 million, RMB1,040.9 million, RMB3,747.7 million, and RMB344.4 million, respectively. Excluding the impact of (i) fair value changes of convertible redeemable preferred shares, (ii) share-based payment compensation, (iii) listing expenses; and (iv) transaction cost for the issue of the Company's convertible redeemable preferred shares, our adjusted loss (non-IFRS measure) was RMB254.2 million, RMB258.6 million, RMB365.1 million and RMB143.1 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

### **MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

#### **Favorable Policy Tailwind on Innovative Drugs and Development of Health Insurance Products**

Favorable policies have been driving the rapid growth of innovative drug development in recent years. For example, one plan announced by the same agency in October 2019 pledged to further open up priority review channels and accelerate the speed of review and approval of new drugs. These policies fueled the development of innovative drugs and consequently the demand of SMO services in clinical trials. In the same time, diversified payment solutions combined with health management services were also promoted by Chinese government. The *Health Insurance Management Measures* promulgated in 2019 explicitly affirms that insurance carriers can combine health insurance products with health management services to provide health risk assessment and intervention, disease prevention, medical examination, health consultation, chronic disease management, healthcare and other services. We expect this favorable industry policy tailwind to continue in near future, and we, as the operator of an integrated health management network in China, the largest oncology SMO and the largest privately owned specialty pharmacy, are well positioned to catch these rapid growth opportunities.

#### **Continuously Understand and Serve the Demand of Key Healthcare Industry Participants**

We serve a variety of healthcare industry participants, who normally have complex demand and require tailored services. For example an employer intends to provide premium protection to its employees, but also needs to cap the service under a budget. It might also wish onsite general practitioners' support to reduce absences. Doctors in China, overwhelmed by the volume of patient visits, wish to improve the efficiency of clinical care and research. A proper referral system supported by primary care that precisely documents patients' symptoms and demands, as well as a competent site management organization that supports clinical trial and research needs, significantly alleviate doctors' burden in both areas. We prospered exactly because our founding team carry a deep root and understanding of healthcare industry and key participants' need, and we will endeavor to continuously understand and serve their demands going forward.

#### **Trust and Confidence from Our Plan Members and Patients**

Our plan members and patients coming to our specialty pharmacy all have clear demand to fill. Plan members wish to receive the best protection, and patients want to ensure the medicines to cure their critical diseases are supplied stably and with a reasonable price tag. Plan members stay on our platform because of the professional services our network delivers. They choose to continue their purchases, some on a long-term and regular basis, our professional pharmacist service could give caring medication guidance and follow-up assessment so as to let them feel assured that their critical needs are taken cared by true professionals. More importantly, maintaining the trust and confidence of these plan members and patients and keeping all of their healthcare actions in our network is critical to build deep data insights, and drive our future growth.

#### **Capability to Strengthen Data Insights**

Data insights is our core competitive advantage. From day one, we see data insights as a potential disruptive force of healthcare industry in the future. It can help develop insurance plans appealing to vast population and build tailored health management for people with varying demand and budget, representing great market opportunity. We endeavor to develop data insights from our practice, which now covers the full cycle of health management from preventive care, visits to general practitioners, referrals to specialist network, and medication services. We believe this data insights will ultimately create value and transform the industry landscape.

---

## FINANCIAL INFORMATION

---

### Expansion of Service Offerings

We will continue to ride on the industry policy tailwind and capitalize on our competitive positions to grow our business. In the same time, we also endeavor to diversify our income sources. We originally started with SMO services, and later tapped into specialty pharmacy. Our Health Insurance Services business line started to generate meaningful revenue in 2020. As we frontload the effort to build the network of medical examination institutions, general practitioners, specialists for the Health Insurance Services business line, we also expect the increasing revenue generation can also lead to better profitability.

### SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles that conform with IFRSs issued by the IASB. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses. We evaluate our estimates and judgments on an ongoing basis, and our actual results may differ from these estimates. We base our estimates on historical experience, known trends and events, contractual milestones and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Our most critical accounting policies, judgments and estimates are summarized below. See Note 2.3 and Note 3 to the Accountants' Report in Appendix I to this prospectus for a description of our significant accounting policies, judgments, and estimates.

### Revenue Recognition

#### *Revenue from contracts with customers*

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

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

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

---

## FINANCIAL INFORMATION

---

### (a) Specialty Pharmacy Business

The primary source of the revenue from the Specialty Pharmacy Business is generated from the operation of offline specialty pharmacies and distribution of pharmaceutical products to pharmaceutical companies and other distributors.

Revenue from the Specialty Pharmacy Business is recognized at the point in time when control of goods is transferred to the customer, generally on delivery of the medicines and pharmaceutical products.

We evaluate whether it is appropriate to record the gross amount of sales of pharmaceutical products and related costs or the net amount earned as commissions for its distribution of pharmaceutical products under the Specialty Pharmacy Business. When we act as a principal, that we obtain control of the specified goods or services before they are transferred to the customers, the revenues should be recognized in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods or services transferred. When we act as an agent and its obligation is to facilitate third parties in fulfilling their performance obligation for specified goods or services, the revenues should be recognized in the net amount for the amount of commission which we earn in exchange for arranging for the specified goods or services to be provided by other parties.

### (b) Physician Research Assistance Business

The primary source of revenue from the Physician Research Assistance business is generated from SMO services, providing integrated services to pharmaceutical companies to assist them in producing clinical trial data that meets the relevant regulatory standards for the pharmaceutical companies to advance to the next phase of clinical or solicit approval of a treatment by the applicable regulatory body .

We recognize the revenue when the performance obligation is satisfied over time as the service output is captured in clinical data and documentation that is available for pharmaceutical companies over the progress of the clinical trials.

### (c) Health Insurance Services Business

The primary source of revenue from the Health Insurance Services business is commissions from insurance brokerage services. We provide insurance brokerage services including distribution of various health and life insurance products on behalf of insurance carriers. As an agent of the insurance carriers, we sell insurance policies on behalf of the insurance carriers and earn brokerage commissions determined as a percentage of premiums paid by insured.

We determine that an insurance carrier or the insurer is our customers in this agreement. Insurance brokerage services revenue is recognized when the signed insurance policy becomes effective since we have fulfilled our performance obligation.

We also generate revenue from health management services, typically charging insurance carriers and enterprise clients a fixed fee per policy and the revenue is recognized over time during the service period as we fulfill our performance obligation.

### ***Other income***

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

---

## FINANCIAL INFORMATION

---

### **Contract Assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If we perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

### **Contract Liabilities**

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we perform under the contract (i.e., transfers control of the related goods or services to the customer).

### **Impairment of Non-financial Assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, financial assets and other non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

### **Leases**

We assess at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### ***Group as a Lessee***

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

---

## FINANCIAL INFORMATION

---

At inception or on reassessment of a contract that contains a lease component and non-lease components, we adopt the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings ..... 1-10 years

If ownership of the leased asset transfers to us by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term reflects we exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use our incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

We apply the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of motor vehicles that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

---

## FINANCIAL INFORMATION

---

### **Financial liabilities**

#### ***Initial Recognition and Measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss (“FVTPL”), loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Our financial liabilities include trade payables, other payables, and convertible redeemable preferred shares.

#### ***Subsequent Measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVTPL include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at FVTPL are recognized in profit or loss, except for the gains or losses arising from our own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities

#### ***Work performed by the Directors, the Sponsors and the Reporting Accountants for the valuation of our financial liabilities measured within level 3 fair value measurement***

During the Track Record Period, our financial liabilities at FVTPL categorized within level 3 included convertible redeemable preferred shares and contingent consideration payables. Our Directors have implemented internal procedures to ensure the reasonableness of fair value measurement on the level 3 financial liabilities. Our finance personnel is responsible for managing the valuation of level 3 instruments for financial reporting purposes. The valuation of the financial liabilities is exercised on a case-by-case basis. We apply valuation techniques to determine the fair value of financial liabilities at FVTPL and contingent consideration payables categorized within level 3 fair value measurement. These valuation techniques, particularly those requiring significant unobservable inputs, usually involved subjective judgment and assumptions. Our Directors review the specific terms of preferred shares agreements or share purchase agreements; engage the independent valuer, provide necessary financial and non-financial information so as to enable the independent valuer to perform valuation procedures and discuss with the independent valuer on relevant assumptions. We also carefully consider non-market related information input and possibilities under different scenarios, review the valuation working papers, valuation model and results prepared by the independent valuer. The Reporting Accountant’s opinion on the historical financial information of the Group for the Track Record Period is set out in Appendix I to this Prospectus.

The Reporting Accountants’ work related to fair value measurement of convertible redeemable preferred shares and contingent consideration payables included the following procedures: (i) understanding the Company’s relevant internal controls over the fair value measurement of

---

## FINANCIAL INFORMATION

---

convertible redeemable preferred shares and contingent consideration payables; (ii) assessing the objectivity, independence and competence of the valuer engaged by management to prepare the valuation model for measuring the instruments; and (iii) reviewing of the valuation work of the valuer, with the assistance from the internal valuation specialists in relation to the methodology, assumptions and sources of data used by management. Details of the fair value measurement of financial liabilities within level 3, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, together with a quantitative sensitivity analysis are set out in note 42 of Appendix I issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Report on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants to this Prospectus. The Reporting Accountants’ opinion on the historical financial information of the Group for the Track Record Period as a whole is set out on I-2 of Appendix I to this Prospectus.

The Joint Sponsors have conducted independent due diligence work in relation to the valuation of the Group’s financial liabilities measured within level 3 fair value measurement, including: (i) reviewing the relevant notes included in the Accountants’ Report as set out in Appendix I to this prospectus; (ii) reviewing the valuation reports provided by the independent valuer engaged by the Group in respect of the convertible redeemable preferred shares and contingent consideration payables, including the assumptions, methodologies and procedures of the valuation stated therein; (iii) conducting due diligence with such independent valuer to understand the scope of review, valuation methodologies and methods of classification of financial instruments of the Company; (iv) discussing with the Company to understand the Company’s financial reporting system, specific items in the Accountants’ Report, and the accounting policies applied for the convertible redeemable preferred shares and contingent consideration payables; and (v) discussing with the Reporting Accountants in respect of the accounting policies applied for the convertible redeemable preferred shares and contingent consideration payables. Having considered the work done by the Directors and the Reporting Accountants as disclosed above and based on the due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would cause them to cast doubt on the reasonableness of the explanations of the Directors and the Reporting Accountants above.

### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### **Share-based Payment**

We operate a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including directors) receive remuneration and rewards in the form of share-based payment, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in the Note 34 to the Accountants’ Report in Appendix I to this Prospectus for details of the Historical Financial Information.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions



---

## FINANCIAL INFORMATION

---

are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of options, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an option unless there are also service and/or performance conditions.

For options that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where options include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled option are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the option are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payment, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled option is canceled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the option is recognized immediately. This includes any option where non-vesting conditions within the control of either we or the employee are not met. However, if a new option is substituted for the canceled option, and is designated as a replacement option on the date that it is granted, the canceled and new options are treated as if they were a modification of the original option, as described in the previous paragraph.

### **Acquisition of Subsidiaries That are not a Business**

IFRS 3 requires an entity to determine whether a transaction or event is a business combination which requires that the assets acquired and liabilities assumed constitute a business. During the relevant periods, we acquired certain equity interests of companies from independent third parties. See Note 36 to the Accountant's Report set out in Appendix I to this prospectus for details. We determined that those activities and assets of acquired equity interests of companies didn't constitute business on the acquisition date acquired. The transaction was then accounted for as an asset acquisition.

During the Track Record Period, the transactions that were accounted for as asset acquisitions included our acquisition of equity interests in Sipai (Beijing) Insurance Brokerage Co., Ltd. (思派(北京)保險經紀有限公司), Guangdong Dahui Medical Co., Ltd. (廣東達慧醫藥有限公司) and Weihai Renji Medical Sales Co., Ltd. (威海仁濟醫藥銷售有限公司) in 2019, Guangzhou Sipai Medical Clinic Co., Ltd. (廣州思派醫療門診部有限責任公司) (formerly known as 廣州市康祺門診部有限責任公司), Taizhou Quannuo Pharmacy Co., Ltd. (臺州市全諾大藥房有限公司), Beijing Hengrenfukang Pharmaceutical Co., Ltd. (北京恒仁福康醫藥有限公司), Guangzhou Sipai Pharmaceuticals Chain Co. Ltd. (廣州市思派藥業連鎖有限公司) (formerly known as 廣州市柏中藥業連鎖有限公司) and Shenzhen Sipai medical Co., Ltd. (深圳思派診所) (formerly known as 深圳市愛丁婦科門診部有限公司) in 2020, as well as Shenzhen Nanshan Sipai clinic Co., Ltd (深圳南山思派門診部) (formerly known as 深圳全康科興門診

---

## FINANCIAL INFORMATION

---

部), Suzhou Sipai Pharmacy Co., Ltd (蘇州思派大藥房有限公司) (formerly known as 蘇州市相城區陽澄湖鎮老利安藥店有限公司), Hangzhou Sipai Dongyuan Pharmacy Co., Ltd (杭州思派東苑大藥房有限公司) (formerly known as 杭州余杭金訶堂大藥房有限公司), Guangxi Nanning Tongjuntang Pharmacy Co. Ltd (廣西南寧桐君堂大藥房有限公司), Yantai Runyao Pharmacy Co., Ltd. (煙台潤藥大藥房有限公司), Tianjin Kangzhong Pharmacy Co., Ltd. (天津市康眾大藥房有限公司 “Tianjin Kangzhong”), Ningbo Haishu Benqitang Pharmacy Retail Co., Ltd. (寧波市海曙本氣堂醫藥零售有限公司), Linyi Yixin Pharmacy Co., Ltd. (臨沂市宜心大藥房有限公司) and Changzhi Sipai Pharmacy Co., Ltd. (長治思派大藥房有限公司) (formerly known as 長治九康大藥房有限公司) in 2021. All these assets were acquired from independent third parties. For details, see Note 36 to the Accountant’s Report set out in Appendix I to this prospectus.

### Business Combination

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by us, liabilities assumed by us to the former owners of the acquiree and the equity interests issued by us in exchange for control of the acquiree. For each business combination, we select whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

We determine to have acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When we acquire a business, we assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

During the Track Record Period, we acquired 51% equity interest of Taiyuan Taikang Xinte Pharmacy Co., Ltd. (太原泰康新特大藥房有限公司) (“Taiyuan Taikang”) from third party shareholders at a consideration of RMB13.8 million in July 2019. The remaining 49% equity interests are held by another third party shareholder. We acquired 51% equity interest of Shenyang Sanheyuan Pharmacy Co., Ltd. (瀋陽三合緣藥房有限公司) (“Shenyang Sanheyuan”) from third party shareholders at a consideration of RMB32.6 million in November 2019. The remaining 49% equity interests are held by another third party shareholder. We acquired 70.0% equity interest of Beijing Renbo Pharmacy Co., Ltd. (北京仁博大藥房有限責任公司) (“Beijing Renbo”) from a third party shareholder at a total cash consideration of RMB14.7 million and estimated contingent consideration of approximately RMB24.5 million in December 2021. The remaining 30% equity interests are held by the third party shareholder. Taiyuan Taikang, Shenyang Sanheyuan and Beijing Renbo are mainly engaged in operation of retail pharmacy. The acquisitions were made as part of our strategy to establish a network

## FINANCIAL INFORMATION

of retail DTP drug stores in major cities of China. For details, see Note 35 to the Accountant's Report set out in Appendix I to this prospectus.

### DESCRIPTION OF MAJOR COMPONENTS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth the components of our consolidated statements of profit or loss for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<b>Revenue</b> .....	<b>1,039,011</b>	<b>100.0</b>	<b>2,699,647</b>	<b>100.0</b>	<b>3,473,930</b>	<b>100.0</b>	<b>1,550,044</b>	<b>100.0</b>	<b>1,887,652</b>	<b>100.0</b>
Cost of sales .....	(957,207)	(92.1)	(2,512,787)	(93.1)	(3,190,481)	(91.8)	(1,431,562)	(92.4)	(1,710,708)	(90.6)
<b>Gross profit</b> .....	<b>81,804</b>	<b>7.9</b>	<b>186,860</b>	<b>6.9</b>	<b>283,449</b>	<b>8.2</b>	<b>118,482</b>	<b>7.6</b>	<b>176,944</b>	<b>9.4</b>
Other income and gains ...	7,004	0.7	34,808	1.3	51,069	1.5	19,538	1.3	22,351	1.2
Selling and marketing expenses .....	(116,032)	(11.2)	(183,450)	(6.8)	(291,461)	(8.4)	(139,266)	(9.0)	(160,614)	(8.5)
Administrative expenses ..	(219,462)	(21.1)	(361,242)	(13.4)	(670,021)	(19.3)	(311,538)	(20.1)	(252,329)	(13.4)
Research and development expenses .....	(24,850)	(2.4)	(45,743)	(1.7)	(59,207)	(1.7)	(29,305)	(1.9)	(34,286)	(1.8)
Impairment losses under expected credit loss model, net .....	(1,845)	(0.2)	(5,331)	(0.2)	(6,407)	(0.2)	(2,755)	(0.2)	(5,003)	(0.3)
Other expenses .....	(256)	(0.0)	(5,816)	(0.2)	(3,121)	(0.1)	(1,676)	(0.1)	(4,528)	(0.2)
Finance costs .....	(2,877)	(0.3)	(3,527)	(0.1)	(3,688)	(0.1)	(1,879)	(0.1)	(1,956)	(0.1)
Share of profits and losses of an associate .....	586	0.1	(65)	(0.0)	137	0.0	(342)	(0.0)	81	0.0
<b>Loss before fair value losses on convertible redeemable preferred shares</b> .....	<b>(275,928)</b>	<b>(26.5)</b>	<b>(383,506)</b>	<b>(14.2)</b>	<b>(699,250)</b>	<b>(20.1)</b>	<b>(348,741)</b>	<b>(22.5)</b>	<b>(259,340)</b>	<b>(13.7)</b>
Change in fair value of convertible redeemable preferred shares .....	(320,092)	(30.8)	(657,344)	(24.3)	(3,048,428)	(87.8)	(2,168,069)	(139.9)	(85,101)	(4.5)
<b>Loss before tax</b> .....	<b>(596,020)</b>	<b>(57.3)</b>	<b>(1,040,850)</b>	<b>(38.5)</b>	<b>(3,747,678)</b>	<b>(107.9)</b>	<b>(2,516,810)</b>	<b>(162.4)</b>	<b>(344,441)</b>	<b>(18.2)</b>
Income tax (expense)/ credit .....	(51)	(0.0)	(1,179)	(0.0)	(825)	(0.0)	38	0.0	(1,546)	(0.1)
<b>Loss for the year/period</b> .....	<b>(596,071)</b>	<b>(57.3)</b>	<b>(1,042,029)</b>	<b>(38.5)</b>	<b>(3,748,503)</b>	<b>(107.9)</b>	<b>(2,516,772)</b>	<b>(162.4)</b>	<b>(345,987)</b>	<b>(18.3)</b>
<b>Attributable to:</b>										
Owners of the parent .....	(594,595)	(57.2)	(1,042,781)	(38.5)	(3,740,455)	(107.7)	(2,510,065)	(161.9)	(346,327)	(18.3)
Non-controlling interests .....	(1,476)	(0.1)	752	0.0	(8,048)	(0.2)	(6,707)	(0.4)	340	0.0
	<b>(596,071)</b>	<b>(57.3)</b>	<b>(1,042,029)</b>	<b>(38.5)</b>	<b>(3,748,503)</b>	<b>(107.9)</b>	<b>(2,516,772)</b>	<b>(162.4)</b>	<b>(345,987)</b>	<b>(18.3)</b>

### NON-IFRS MEASURES

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRSs. We believe adjusted loss (non-IFRS measure) facilitates comparisons of company to company by eliminating potential impacts of items.

We believe adjusted loss (non-IFRS measure) provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as they help our

## FINANCIAL INFORMATION

management. However, our presentation of adjusted loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted loss (non-IFRS measure) has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

We define adjusted loss (non-IFRS measure) as profit/(loss) for the year/period, excluding (i) fair value changes of convertible redeemable preferred shares; (ii) share-based payment compensation; (iii) listing expenses; and (iv) transaction cost for the issue of convertible redeemable preferred shares.

The convertible preferred shares will automatically convert into ordinary shares upon the completion of the Global Offering, and no further loss or gain on fair value changes is expected to be recognized afterwards.

The following table reconciles our adjusted loss (non-IFRS measure) for the years/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
				<i>(unaudited)</i>	
				<i>(RMB in thousands)</i>	
<b>Reconciliation of loss to adjusted loss (non-IFRS measure)</b>					
Loss for the year/period . . . . .	(596,071)	(1,042,029)	(3,748,503)	(2,516,772)	(345,987)
Add:					
Fair value loss on convertible redeemable preferred shares					
(a) . . . . .	320,092	657,344	3,048,428	2,168,069	85,101
Share-based payment compensation (b) . . . . .	21,738	113,995	298,682	143,967	105,662
Listing expense (c) . . . . .	—	—	28,783	8,761	12,114
Transaction cost for the issue of the Company's convertible redeemable preferred shares (d) . . . . .	—	12,127	7,526	3,661	—
<b>Adjusted loss (non-IFRS measure) for the year/period . . .</b>	<b><u>(254,241)</u></b>	<b><u>(258,563)</u></b>	<b><u>(365,084)</u></b>	<b><u>(192,314)</u></b>	<b><u>(143,110)</u></b>

*Notes:*

- (a) Fair value changes of convertible redeemable preferred shares represent the gains or losses arising from change in fair value of our issued Series A, Series A-1, Series B, Series C, Series D, Series E and Series F convertible redeemable preferred shares, which was recognized as a financial liability at fair value through profit or loss. Such changes are non-cash in nature. The convertible preferred shares will automatically convert into ordinary shares upon the completion of the Global Offering, and no further loss or gain on fair value changes is expected to be recognized afterwards.
- (b) Share-based compensation expenses relate to the share awards we offered to our employees, consultants and directors under 2017 Share Option Plans, which are primarily non-cash in nature and do not result in cash outflow.
- (c) Listing expenses are expenses in relation to the Listing and the Global Offering.
- (d) Transaction cost for the issue of the Company's convertible redeemable preferred shares are expenses in relation to the share issuance.

## FINANCIAL INFORMATION

### Revenues

During the Track Record Period, our revenue was primarily generated from our Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services. The following table sets forth a breakdown of our revenue by segments and as percentages of our total revenues for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,				
	2019		2020		2021		2021		2022		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i> <i>(unaudited)</i>	%	<i>RMB'000</i>	%	
Specialty Pharmacy											
Business . . . . .	863,600	83.1	2,482,006	91.9	3,136,484	90.3	1,407,134	90.8	1,646,388	87.2	
Physician Research											
Assistance . . . . .	173,195	16.7	185,652	6.9	244,857	7.0	102,133	6.6	149,154	7.9	
Health Insurance											
Services . . . . .	2,216	0.2	31,989	1.2	92,589	2.7	40,777	2.6	92,110	4.9	
<b>Total . . . . .</b>	<b>1,039,011</b>	<b>100.0</b>	<b>2,699,647</b>	<b>100.0</b>	<b>3,473,930</b>	<b>100.0</b>	<b>1,550,044</b>	<b>100.0</b>	<b>1,887,652</b>	<b>100.0</b>	

### *Specialty Pharmacy Business*

Our Specialty Pharmacy Business line includes specialty pharmacy and pharmacist service. Our revenue generated from Specialty Pharmacy Business services is primarily from sales of prescription medicines and pharmaceutical products.

### *Physician Research Assistance*

We generate service fee revenue in the Physician Research Assistance business line primarily by providing SMO service to pharmaceutical companies and medical institutions to manage clinical trials and facilitate research and development activities.

### *Health Insurance Services*

The primary source of revenue from the Health Insurance Services business is commissions from insurance brokerage services. Additionally we also generate revenue from health management and claim management services provided to insurance carriers.

### Cost of Sales

Our cost of revenues primarily consists of (i) procurement cost for specialty medicines; (ii) labor cost; and (iii) promotion fees relating to our insurance brokerage services. The table below sets forth a breakdown of our cost of sales by segments in absolute amount and as percentages of our total cost of sales for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,				
	2019		2020		2021		2021		2022		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i> <i>(unaudited)</i>	%	<i>RMB'000</i>	%	
Specialty Pharmacy											
Business . . . . .	815,668	85.2	2,346,231	93.4	2,951,040	92.5	1,322,415	92.4	1,557,639	91.0	
Physician Research											
Assistance . . . . .	140,199	14.7	146,253	5.8	199,998	6.3	88,497	6.2	122,691	7.2	
Health Insurance											
Services . . . . .	1,340	0.1	20,303	0.8	39,443	1.2	20,650	1.4	30,378	1.8	
<b>Total . . . . .</b>	<b>957,207</b>	<b>100.0</b>	<b>2,512,787</b>	<b>100.0</b>	<b>3,190,481</b>	<b>100.0</b>	<b>1,431,562</b>	<b>100.0</b>	<b>1,710,708</b>	<b>100.0</b>	

## FINANCIAL INFORMATION

The following table sets forth a breakdown of our cost of sales by nature and as percentages of total cost of sales for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Procurement cost for										
medicines . . . . .	814,045	85.0	2,342,212	93.2	2,942,987	92.3	1,319,118	92.2	1,554,997	90.9
Labor cost . . . . .	133,611	14.0	142,594	5.7	189,195	5.9	86,785	6.1	116,292	6.7
Promotion fees relating to insurance brokerage services . . . . .	—	—	17,981	0.7	38,577	1.2	20,456	1.4	30,042	1.8
Taxes and surcharges . .	2,580	0.3	4,532	0.2	10,051	0.3	3,538	0.2	3,305	0.2
Others . . . . .	6,971	0.7	5,468	0.2	9,671	0.3	1,665	0.1	6,072	0.4
<b>Total . . . . .</b>	<b>957,207</b>	<b>100.0</b>	<b>2,512,787</b>	<b>100.0</b>	<b>3,190,481</b>	<b>100.0</b>	<b>1,431,562</b>	<b>100.0</b>	<b>1,710,708</b>	<b>100.0</b>

### Gross Profit and Gross margin

The following table sets forth our gross profit by segments and as percentages of total revenues, or gross margin, for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Specialty										
Pharmacy										
Business . . . . .	47,932	5.6	135,775	5.5	185,444	5.9	84,719	6.0	88,749	5.4
Physician										
Research										
Assistance . . . . .	32,996	19.1	39,399	21.2	44,859	18.3	13,636	13.4	26,463	17.7
Health Insurance										
Services . . . . .	876	39.5	11,686	36.5	53,146	57.4	20,127	49.4	61,732	67.0
<b>Total . . . . .</b>	<b>81,804</b>	<b>7.9</b>	<b>186,860</b>	<b>6.9</b>	<b>283,449</b>	<b>8.2</b>	<b>118,482</b>	<b>7.6</b>	<b>176,944</b>	<b>9.4</b>

## FINANCIAL INFORMATION

### Other Income and Gains

During the Track Record Period, our other income and gains mainly consisted of (i) bank interest income, (ii) net foreign exchange differences, (iii) government grants, and (iv) gains on financial assets at FVTPL. The following table sets forth a breakdown of our other income and gains for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
	<i>(unaudited)</i>				
	<i>(RMB in thousands)</i>				
<b>Other income</b>					
Government grants <sup>(1)</sup> . . . . .	55	24,236	9,219	1,650	2,472
Bank interest income . . . . .	<u>1,259</u>	<u>1,136</u>	<u>10,370</u>	<u>7,231</u>	<u>8,206</u>
<b>Gains</b>					
Foreign exchange differences, net <sup>(2)</sup> . . . . .	600	—	3,952	4,004	8
Gains on financial assets at FVTPL <sup>(3)</sup> . . . . .	4,356	8,779	25,658	5,600	10,260
Gains on disposal of property, plant and equipment, net . . . . .	—	23	—	—	—
Gains on lease termination, net . . . . .	43	—	365	159	331
Others . . . . .	<u>691</u>	<u>634</u>	<u>1,505</u>	<u>894</u>	<u>1,074</u>
<b>Total</b> . . . . .	<u><b>7,004</b></u>	<u><b>34,808</b></u>	<u><b>51,069</b></u>	<u><b>19,538</b></u>	<u><b>22,351</b></u>

*Notes:*

- (1) Government grants mainly consist of reward to newly-found enterprises, subsidies for stabilizing employment, value-added tax refunds and others. The government grant in 2020 was significantly higher than those in 2019 and 2021 since the RMB24.2 million was a one-off subsidy granting to newly-founded enterprises. The government grant for the six months ended June 30, 2022 comprised the individual income tax and value-added tax refunds.
- (2) Foreign exchange differences result from conversions of foreign currency denominated in Renminbi by our offshore subsidiaries and foreign currency denominated in US dollars by our subsidiaries in the PRC. We recorded a significantly higher net foreign exchange gains in 2021, which was attributable to the appreciation of the short-term deposits held by our offshore subsidiaries that was denominated in RMB as a result of the currency fluctuation of USD against RMB during the first quarter of 2021.
- (3) The gains on financial assets at FVTPL represents the gains on the money market fund investment and wealth management products we purchased, comprising short-term or low-risk financial products. The expected rate of return ranged from 1.40% to 4.90% per annum. The gains on financial assets at FVTPL increased during the Track Record period, which was in line with our investment increase in the wealth management products.

### Selling and Marketing Expenses

Our selling and marketing expenses consist of staff costs, marketing and promotion fees, depreciation and amortization expenses, travel and business related expense and others. Staff costs mainly include salaries, bonus, social security costs and share-based compensation for our sales and marketing staff. The table below sets forth a breakdown of our selling and marketing expenses for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
	<i>(unaudited)</i>				
	<i>(RMB in thousands)</i>				
Staff costs . . . . .	46,421	60,399	135,075	59,611	103,179
Depreciation and amortization expenses . . . . .	26,628	39,342	39,900	21,463	18,216
Marketing and promotion fee . . . . .	27,942	50,274	67,566	34,421	15,000
Travel and business related expense . . . . .	9,110	13,950	17,632	9,868	8,044
Others <sup>(1)</sup> . . . . .	<u>5,931</u>	<u>19,485</u>	<u>31,288</u>	<u>13,903</u>	<u>16,175</u>
<b>Total</b> . . . . .	<u><b>116,032</b></u>	<u><b>183,450</b></u>	<u><b>291,461</b></u>	<u><b>139,266</b></u>	<u><b>160,614</b></u>

## FINANCIAL INFORMATION

*Note:*

- (1) Others mainly consist of storage, packing and transportation expenses relating to our Specialty Pharmacy Business, bank transaction fees related to sales of drugs in the specialty pharmacies, short-term lease expenses relating to our lease of pharmacy stores and others.

### Administrative Expenses

Our administrative expenses consist of staff costs, consulting and service fees, travel and business related expense, depreciation and amortization expenses, listing expense and others. Staff costs mainly include salaries, bonus, social security costs and share-based compensation for our administrative staff. The table below sets forth a breakdown of our administrative expenses for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Staff Costs	164,079	288,323	545,978	261,366	201,816
Consulting and service fees <sup>(1)</sup>	18,574	31,032	32,720	16,137	14,634
Travel and business related expense	22,575	21,924	32,644	14,243	9,773
Depreciation and amortization expenses	3,381	8,369	13,982	5,991	8,254
Listing expense	—	—	28,783	8,761	12,114
Others <sup>(2)</sup>	10,853	11,594	15,914	5,040	5,738
<b>Total</b>	<b>219,462</b>	<b>361,242</b>	<b>670,021</b>	<b>311,538</b>	<b>252,329</b>

*Notes:*

- (1) Consulting and service fees mainly consist of consulting fees we paid to professional parties, including legal advisors, accountants and other industry specialists, service fees incurred from our financing activities, audit fees, and other related expenses. Our consulting and service fees increased 67.1% to RMB31.0 million in 2020 as compared with RMB18.6 million in 2019, primarily because we incurred financial advisor fees of RMB12 million for the series E financing. Our consulting and service fees increased to RMB32.7 million in 2021, primarily because we incurred financial advisor fees of RMB7.5 million for the series E and series F financing activities, and the rest includes service fees for upgrading financial and human resource systems as well as accounting fees and legal consulting fees, which were for preparation of IPO and were not recorded as listing expenses.
- (2) Others mainly consist of short-term and low-value lease expenses relating to our lease of administration offices, property fees, utility fees, software royalties, bank transaction fees, and others.

### Research and Development Expenses

During the Track Record Period, our research and development expenses consisted of staff costs and outsourcing cost and others. The table below sets forth a breakdown of our research and development expenses for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Staff Costs	23,812	41,666	56,642	27,619	33,088
Outsourcing cost <sup>(1)</sup>	—	2,942	226	10	663
Others <sup>(2)</sup>	1,038	1,135	2,339	1,676	535
<b>Total</b>	<b>24,850</b>	<b>45,743</b>	<b>59,207</b>	<b>29,305</b>	<b>34,286</b>

*Notes:*

- (1) Outsourcing cost was mainly incurred in 2020 when we outsourced the development and upgrades of our operational systems for our business lines.
- (2) Others mainly consist of the rent on cloud servers. Other research and development expenses increased to RMB2.3 million in 2021 from RMB1.1 million in 2020, primarily because of an increase in the cloud server rental payments and the Statistical Analysis System royalties.



## FINANCIAL INFORMATION

### Impairment Losses Under Expected Credit Loss Model

During the Track Record Period, our impairment losses under expected credit loss model (“ECL”) were mainly allowance for expected credit losses of trade receivables and contract assets. During the Track Record Period, we had recorded impairment losses under ECL model of RMB1.8 million in 2019, RMB5.3 million in 2020, RMB6.4 million in 2021 and RMB5.0 million for the six months ended June 30, 2022.

### Other Expenses

During the Track Record Period, our other expenses mainly consisted of impairment losses of inventories. The following table sets forth a breakdown of our other expenses in absolute amounts for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
	<i>(unaudited)</i>				
	<i>(RMB in thousands)</i>				
Impairment losses of inventories <sup>(1)</sup> . . . . .	61	3,279	2,389	1,447	2,699
Loss on disposal of property, plant and equipment . . .	19	—	77	18	7
Donations to not-for-profit organizations . . . . .	50	2,122	—	—	500
Foreign exchange difference, net . . . . .	—	12	—	—	—
Others . . . . .	126	403	655	211	1,322
<b>Total</b> . . . . .	<b>256</b>	<b>5,816</b>	<b>3,121</b>	<b>1,676</b>	<b>4,528</b>

*Note:*

(1) Inventory is impaired when selling price less costs to complete and sell is lower than carrying value. The aging and expiry dates of our inventories are reviewed at the end of each year, according to which the provision will be determined on obsolete and slow-moving inventory items. The increase in the impairment losses of inventories in 2020 was in line with our increased volume of medicine procurement as a result of expansion of our Specialty Pharmacy Business and our increased specialty pharmacies. The decrease in the impairment losses of inventories from 2020 to 2021 was primarily because of more efficient inventory management and write-off of impairment. The increase in the impairment losses in the six months ended June 30, 2022 was mainly due to the increase of inventories aged over one year and the relevant depreciation.

### Finance Costs

During the Track Record Period, our finance costs mainly consisted of interest on lease liabilities. During the Track Record Period, we had recorded interest on lease liabilities of RMB2.9 million in 2019, RMB3.5 million in 2020, RMB3.7 million in 2021 and RMB2.0 million for the six months ended June 30, 2022.

### Share of Profits and Losses of an Associate

Share of profits and losses of an associate represents our share of profits and losses resulting from Sinopharm Holdings Smart Pharmacy (Hubei) Co., Ltd (國藥控股思維特大藥房(湖北)有限公司). During the Track Record Period, we recorded share of profits of RMB586,000 in 2019, share of losses of RMB65,000 in 2020, share of profits of RMB137,000 in 2021 and share of profits of RMB81,000 for the six months ended June 30, 2022.

### Fair Value Loss on Convertible Redeemable Preferred Shares

We adopted option-pricing method and equity allocation model to determine the fair value of the convertible preferred shares issued by us. Please see Note 31 to the Accountants’ Report in Appendix I to this prospectus for the key assumptions in determining the fair value of the convertible preferred shares.

---

## FINANCIAL INFORMATION

---

Upon the completion of the Global Offering, the preferred shares will be automatically converted to our ordinary shares.

### **Taxation**

We had income tax expenses of RMB51,000, RMB1,179,000, RMB825,000 and RMB1,546,000 in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the Cayman Islands, Hong Kong and Mainland China.

#### ***Cayman Islands***

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains.

#### ***Hong Kong***

On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 which introduces the two-tiered profits tax rates regime. This bill was signed into law on March 28, 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to our Hong Kong subsidiaries with estimated assessable profits for its annual reporting periods ended on or after April 1, 2018.

#### ***Mainland China***

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% during the reporting period unless subject to tax concession set out below.

According to the normal statutory PRC corporate income tax and relevant rules, certain subsidiaries of the Company have been qualified as small low-profit enterprises which can enjoy 5% to 20% preferential tax rates for the Track Record Period.

## FINANCIAL INFORMATION

During the Track Record Period, our effective tax rate was negative 0.01%, negative 0.11%, negative 0.02% and negative 0.45% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We recorded negative effective tax rate during the Track Record Period because we incurred tax expenses in the corresponding year/period while we recorded loss before tax, which was the result of a reconciliation of the tax credits applicable to loss before tax at the statutory rate, the non-deductible tax expenses, tax expenses imposed by local authority, and others. The table below sets for the components of tax expenses and their reconciliation for the years/periods indicated. For details, see Note 12 to the the Accountants' Report in Appendix I to this prospectus.

	Year ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
	<i>(unaudited)</i>				
	<i>(RMB in thousands)</i>				
Loss before tax	(596,020)	(1,040,850)	(3,747,678)	(2,516,810)	(344,441)
Tax at the applicable tax rate of 25%	(149,005)	(260,213)	(936,920)	(629,203)	(86,110)
Expenses not deductible for tax	18,337	38,365	89,339	34,598	31,805
Different tax rates enacted by local authority	73,314	151,197	762,107	543,438	21,275
Deductible temporary differences and tax losses not recognized or utilized	57,405	71,830	86,299	51,129	34,576
Tax charge at the Group's effective tax rate for the year/period	51	1,179	825	(38)	1,546

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Six Months Ended June 30, 2022 Compared with Six Months Ended June 30, 2021

##### *Revenue*

Our revenue increased by 21.8% from RMB1,550.0 million for the six months ended June 30, 2021 to RMB1,887.7 million for the six months ended June 30, 2022 due to our business expansion.

##### *Specialty Pharmacy Business*

Revenue from our Specialty Pharmacy Business increased by 17.0% from RMB1,407.1 million for the six months ended June 30, 2021 to RMB1,646.4 million for the six months ended June 30, 2022, which was mainly attributable to the expansion of our pharmacy storefronts from 81 as of June 30, 2021 to 103 as of June 30, 2022.

##### *Physician Research Assistance*

Revenue from our Physician Research Assistance business increased by 46.0% from RMB102.1 million for the six months ended June 30, 2021 to RMB149.2 million for the six months ended June 30, 2022, which was mainly attributable to an increase in our business volume as 936 SMO projects were on-going as of June 30, 2022, as compared to 814 as of June 30, 2021.

##### *Health Insurance Services*

Revenue from Health Insurance Services business increased by 125.9% from RMB40.8 million for the six months ended June 30, 2021 to RMB92.1 million for the six months ended June 30, 2022, as we served approximately 23.9 million individual members and 876 enterprise clients as of June 30, 2022, compared with approximately 9.8 million individual members and 500 enterprise clients as of June 30, 2021.

---

## FINANCIAL INFORMATION

---

### *Cost of Sales and Gross Margin*

Our cost of sales increased by 19.5% from RMB1,431.6 million for the six months ended June 30, 2021 to RMB1,710.7 million for the six months ended June 30, 2022, primarily due to (i) an increase of RMB235.9 million in procurement cost for purchasing medicines relating to our Specialty Pharmacy Business; and (ii) an increase of RMB29.5 million in labor costs relating to Physician Research Assistance business. As a result of the foregoing, our gross profit for the six months ended June 30, 2021 and 2022 were RMB118.5 million and RMB176.9 million, respectively, and our gross margin was 7.6% and 9.4%, respectively. The increase in our gross margin was mainly attributable to the rapid development of our Health Insurance Services business which generated significantly higher gross margin as compared to the other two business lines.

### *Specialty Pharmacy Business*

Our cost of sales of Specialty Pharmacy Business increased by 17.8% from RMB1,322.4 million for the six months ended June 30, 2021 to RMB1,557.6 million for the six months ended June 30, 2022, which was largely in line with our expansion of Specialty Pharmacy Business. The gross margin decreased from 6.0% for the six months ended June 30, 2021 to 5.4% for the six months ended June 30, 2022, mainly because the change of product structure.

### *Physician Research Assistance*

Our cost of sales of Physician Research Assistance business increased by 38.6% from RMB88.5 million for the six months ended June 30, 2021 to RMB122.7 million for the six months ended June 30, 2022, which was mainly due to the increase of labor costs as a result of our increasing on-going clinical trials.

The gross margin changed from 13.4% for the six months ended June 30, 2021 to 17.7% for the six months ended June 30, 2022, mainly attributable to our enhanced capability to secure studies with higher gross margin and improved operational efficiency benefiting from our know-how amassed with the development of business.

### *Health Insurance Services*

Our cost of sales of Health Insurance Services business increased by 47.1% from RMB20.7 million for the six months ended June 30, 2021 to RMB30.4 million for the six months ended June 30, 2022, which was largely in line with our expansion of Health Insurance Services business as the types of our insurance plans increased from 15 as of June 30, 2021 to 24 as of June 30, 2022. The gross margin changed from 49.4% for the six months ended June 30, 2021 to 67.0% for the six months ended June 30, 2022, which is the result of our increased revenue and reduced marginal cost.

### *Other Income and Gains*

Our net other income and gains increased by 14.4% from RMB19.5 million for the six months ended June 30, 2021 to RMB22.4 million for the six months ended June 30, 2022, primarily due to (i) a RMB4.7 million increase in gains on financial assets at FVTPL; (ii) a RMB1.0 million increase in the bank interest income; and (iii) a RMB0.8 million increase in the government grants which were mainly refunds of the individual income tax and the value-added tax; partially offset by a RMB4.0 million decrease in the net foreign exchange differences.

---

## FINANCIAL INFORMATION

---

### *Selling and Marketing Expenses*

Our selling and marketing expenses increased by 15.3% from RMB139.3 million for the six months ended June 30, 2021 to RMB160.6 million for the six months ended June 30, 2022, mainly due to a RMB43.6 million increase in staff costs mainly for our Specialty Pharmacy Business; partially offset by a RMB19.4 million decrease in marketing and promotion fees as a result of our improved sales efficiency.

### *Administrative Expenses*

Our administrative expenses decreased by 19.0% from RMB311.5 million for the six months ended June 30, 2021 to RMB252.3 million for the six months ended June 30, 2022, mainly resulting from a decrease in the staff costs, which is primarily due to the functional adjustment of the administrative team and the improvement of administrative efficiency.

### *Research and Development Expenses*

Our research and development expenses increased by 17.0% from RMB29.3 million for the six months ended June 30, 2021 to RMB34.3 million for the six months ended June 30, 2022, mainly due to an increase in staff costs as a result of expansion of our research and development function.

### *Impairment losses under ECL*

Our impairment losses under ECL increased by 81.6% from RMB2.8 million for the six months ended June 30, 2021 to RMB5.0 million for the six months ended June 30, 2022, as the result of an increase in the trade receivables, and such increase was in line with the increase in the ongoing service of Physician Research Assistance business.

### *Other Expenses*

Our other expenses increased significantly from RMB1.7 million for the six months ended June 30, 2021 to RMB4.5 million for the six months ended June 30, 2022, primarily resulting from a RMB1.3 million increase in impairment losses of inventories mainly due to the increase of inventories aged over one year and the relevant depreciation, and a RMB1.1 million increase in other expenses mainly for staff accident compensation.

### *Change in Convertible Redeemable Preferred Shares*

Our fair value loss on convertible redeemable preferred shares decreased by 96.1% from RMB2,168.1 million for the six months ended June 30, 2021 to RMB85.1 million for the six months ended June 30, 2022, reflecting our stable valuation status since 2022.

### *Loss Before Tax for the Period*

For the reasons described above, our loss before tax for the period decreased by 86.3% from RMB2,516.8 million for the six months ended June 30, 2021 to RMB344.4 million for the six months ended June 30, 2022. Our non-IFRS loss for the period decreased by 25.6%, from RMB192.3 million for the six months ended June 30, 2021 to RMB143.1 million for the six months ended June 30, 2022 mainly due to an RMB58.5 million increase of gross profit.

## **Year Ended December 31, 2021 Compared with Year Ended December 31, 2020**

### *Revenue*

Our revenue increased by 28.7% from RMB2,699.6 million in 2020 to RMB3,473.9 million in 2021 due to our business expansion.

---

## FINANCIAL INFORMATION

---

### *Specialty Pharmacy Business*

Revenue from our Specialty Pharmacy Business increased by 26.4% from RMB2,482.0 million in 2020 to RMB3,136.5 million in 2021, which was mainly attributable to an increase in the average monthly sales revenue per store to RMB2.9 million in 2021 from RMB2.7 million in 2020, as well as the expansion of our pharmacy storefronts from 76 as of December 31, 2020 to 91 as of December 31, 2021.

### *Physician Research Assistance*

Revenue from our Physician Research Assistance business increased by 31.9% from RMB185.7 million in 2020 to RMB244.9 million in 2021, which was mainly attributable to an increase in our business volume as 926 SMO projects were on-going as of December 31, 2021, as compared to 681 as of December 31, 2020. Our Physician Research Assistance business was affected by the COVID-19 pandemic in early 2020 as many clinical trials were restricted or suspended during the peak of pandemic.

### *Health Insurance Services*

Revenue from Health Insurance Services business increased significantly from RMB32.0 million in 2020 to RMB92.6 million in 2021, primarily because the number of our monthly active members increased from approximately 5.3 million as of December 31, 2020 to approximately 8.3 million as of December 31, 2021 since we developed and launched more insurance plans. The types of our insurance plans increased from 12 as of December 31, 2020 to 17 as of December 31, 2021.

### **Cost of Sales and Gross Margin**

Our cost of sales increased by 27.0% from RMB2,512.8 million in 2020 to RMB3,190.5 million in 2021, primarily due to (i) an increase in procurement cost for purchasing medicines relating to our Specialty Pharmacy Business; and (ii) an increase in staff costs relating to Physician Research Assistance business. Our gross profit in 2020 and 2021 were RMB186.9 million and RMB283.4 million, respectively, and our gross margin was 6.9% and 8.2%, respectively. The increase in our gross margin was mainly attributable to the rapid development of our Health Insurance Services business which generated significantly higher gross margin to the other two business lines.

### *Specialty Pharmacy Business*

Our cost of sales of Specialty Pharmacy Business increased by 25.8% from RMB2,346.2 million in 2020 to RMB2,951.0 million in 2021, which was in line with our expansion of pharmacy storefronts. Accordingly, gross margin remained relatively stable, being 5.5% in 2020 and 5.9% in 2021.

### *Physician Research Assistance*

Our cost of sales of Physician Research Assistance business increased by 36.7% from RMB146.3 million in 2020 to RMB200.0 million in 2021 mainly due to the increase of labor costs as a result of our increasing on-going SMO projects. As a result, the gross margin slightly decreased from 21.2% in 2020 to 18.3% in 2021.

### *Health Insurance Services*

Our cost of sales of Health Insurance Services business increased by 94.3% from RMB20.3 million in 2020 to RMB39.4 million in 2021, which was largely in line with our expansion of Health Insurance

---

## FINANCIAL INFORMATION

---

Services business as the types of our insurance plans increased from 12 as of December 31, 2020 to 17 as of December 31, 2021. In addition to health management services, we started to co-develop differentiated health insurance plans with major insurance carriers and launched our first insurance plan, Hui Min Insurance, in December 2019, resulting in high up-front costs to market our new products in the first half of 2020. Our gross profit margin increased from 36.5% in 2020 to 57.4% in 2021, which is the result of our increased revenue and reduced marginal cost.

### ***Other Income and Gains***

Our other income and gains increased from RMB34.8 million in 2020 to RMB51.1 million in 2021, primarily due to (i) a RMB16.9 million increase in the gains on financial assets at FVTPL which are financial products with low risks; (ii) a RMB9.2 million increase in the bank interest income; and (iii) a RMB4.0 million increase in the net foreign exchange differences attributable to the appreciation of the short-term deposits held by our offshore subsidiaries that was denominated in RMB as a result of the currency fluctuation of USD against RMB during the first quarter of 2021.

### ***Selling and Marketing Expenses***

Our selling and marketing expenses increased by 58.9% from RMB183.5 million in 2020 to RMB291.5 million in 2021, mainly due to (i) a RMB74.7 million increase in staff costs incurred from staff recruitment for our Specialty Pharmacy Business and Health Insurance Services business; and (ii) a RMB17.3 million increase in marketing and promotion fee for each of our business lines. For our Specialty Pharmacy Business, the average number of sales employees who received the monthly payroll increased from 367 in 2020 to 474 in 2021. For our Health Insurance Services business, the average number of sales employees who received the monthly payroll increased from 73 in 2020 to 192 in 2021.

### ***Administrative Expenses***

Our administrative expenses increased 85.5% from RMB361.2 million in 2020 to RMB670.0 million in 2021, mainly due to (i) an increase of RMB257.7 million in staff costs including a RMB175.7 million increase in share-based compensation, and a RMB82.0 million increase in salaries, allowances and bonuses as a result of business expansion; and (ii) a RMB28.8 million listing expenses was incurred in 2021.

### ***Research and Development Expenses***

Our research and development expenses increased by 29.4% from RMB45.7 million in 2020 to RMB59.2 million in 2021, mainly due to an increase in staff costs as a result of expansion of our research and development function.

### ***Impairment losses under ECL***

Our impairment losses under ECL increased by 20.2% from RMB5.3 million in 2020 to RMB6.4 million in 2021 as the result of an increase in the trade receivables and contract assets, and such increase was in line with the increase in the ongoing service of Physician Research Assistance business.

### ***Other Expenses***

Our other expenses decreased by 46.3% from RMB5.8 million in 2020 to RMB3.1 million in 2021, primarily because a RMB2.1 million one-off donation was made in 2020.

---

## FINANCIAL INFORMATION

---

### *Fair Value Loss on Convertible Redeemable Preferred Shares*

Our fair value loss on convertible redeemable preferred shares increased significantly from RMB657.3 million in 2020 to RMB3,048.4 million in 2021, because we completed additional equity financing with higher valuation. Please see Note 31 to the Accountants' Report set out in Appendix I to this prospectus for more information about convertible redeemable preferred shares.

### *Loss Before Tax for the Year*

For the reasons described above, our loss before tax for the year increased by RMB2,706.8 million from RMB1,040.9 million in 2020 to RMB3,747.7 million in 2021. Our adjusted loss (non-IFRS measure) for the year increased by RMB106.5 million from RMB258.6 million in 2020 to RMB365.1 million in 2021.

### **Year Ended December 31, 2020 Compared with Year Ended December 31, 2019**

#### *Revenue*

Our revenue increased by 159.8%, from RMB1,039.0 million in 2019 to RMB2,699.6 million in 2020 due to our business expansion.

#### *Specialty Pharmacy Business*

Revenue from our Specialty Pharmacy Business increased by 187.4% from RMB863.6 million in 2019 to RMB2,482.0 million in 2020, which was mainly attributable to the increase of average monthly sales revenue per store from RMB1.3 million in 2019 to RMB2.7 million in 2020 as well as the expansion of our pharmacy storefronts from 70 as of December 31, 2019 to 76 as of December 31, 2020.

#### *Physician Research Assistance*

Revenue from our Physician Research Assistance business increased by 7.2% from RMB173.2 million in 2019 to RMB185.7 million in 2020, which was mainly attributable to a stable increase in our business volume despite the impact of COVID-19. 681 SMO projects were on-going as of December 31, 2020, as compared to 469 as of December 31, 2019.

#### *Health Insurance Services*

Revenue from Health Insurance Services business increased significantly from RMB2.2 million in 2019 to RMB32.0 million in 2020. We launched most of our health insurance plans in 2020, resulting in a significant increase of premium payment and therefore our commission fee income.

### *Cost of Sales and Gross Margin*

Our cost of sales increased by 162.5% from RMB957.2 million in 2019 to RMB2,512.8 million in 2020, primarily due to (i) an increase in procurement cost for purchasing medicines relating to our Specialty Pharmacy Business; and (ii) an increases staff costs relating to Physician Research Assistance business. As a result of the foregoing, our overall gross profit in 2019 and 2020 were RMB81.8 million and RMB186.9 million, respectively, and our overall gross margin was 7.9% and 6.9%, respectively.



---

## FINANCIAL INFORMATION

---

### *Specialty Pharmacy Business*

Our cost of sales of Specialty Pharmacy Business increased by 187.6% from RMB815.7 million in 2019 to RMB2,346.2 million in 2020, which was in line with the rapid expansion of Specialty Pharmacy Business. Our gross margin in Specialty Pharmacy Business remained relatively stable at 5.6% and 5.5% in 2019 and 2020, respectively.

### *Physician Research Assistance*

Our cost of sales of Physician Research Assistance business increased by 4.3% from RMB140.2 million in 2019 to RMB146.3 million in 2020, which was largely in line with its revenue growth. The gross margin improved from 19.1% in 2019 to 21.2% in 2020 mainly because of our enhanced capability to secure studies with higher gross margin and improved operational efficiency benefiting from our know-how amassed with the development of business.

### *Health Insurance Services*

Our cost of sales of Health Insurance Services business increased significantly from RMB1.3 million in 2019 to RMB20.3 million in 2020, primarily due to the marketing and launching expenses relating to our new insurance products. Our gross margin in Health Insurance Services business decreased from 39.5% in 2019 to 36.5% in 2020, which primarily resulted from a significant change in the business mix of our Health Insurance Services in 2019. Hui Min Insurance was introduced to the market in December 2019. Revenue and cost of Health Insurance Services thereafter mainly consisted of commission income and associated costs in selling insurance products underwritten by partner insurance carriers. Prior to that, the Health Insurance Services business line only included small amounts of revenue and costs from providing administrative services to insurance carriers.

### *Other Income and Gains*

Our other income and gains increased from RMB7.0 million in 2019 to RMB34.8 million in 2020, primarily due to (i) a one-off government grants of RMB24.2 million in 2020 as an enterprise settlement award for newly-founded; and (ii) an increase of RMB4.4 million in gains on financial assets at FVTPL which are financial products with low risks.

### *Selling and Marketing Expenses*

Our selling and marketing expenses increased from RMB116.0 million in 2019 to RMB183.5 million in 2020, mainly due to (i) a RMB22.3 million increase in marketing and promotion fee for each of our business lines; and (ii) a RMB14.0 million increase in staff costs as a result of our expanding Health Insurance Services and Specialty Pharmacy Business.

### *Administrative Expenses*

Our administrative expenses increased from RMB219.5 million in 2019 to RMB361.2 million in 2020, mainly due to a RMB124.2 million increase in staff costs including (i) a RMB94.0 million increase in share-based compensation, and (ii) a RMB30.2 million increase in salaries, allowances and bonuses as a result of business expansion.

### *Research and Development Expenses*

Our research and development expenses increased from RMB24.9 million in 2019 to RMB45.7 million in 2020, mainly due to an increase in staff costs as a result of expansion of our research and development function.

## FINANCIAL INFORMATION

### *Impairment losses under ECL*

Our impairment losses under ECL increased from RMB1.8 million in 2019 to RMB5.3 million in 2020, mainly due to an increase in the contract assets arising from our Physician Research Assistance business.

### *Other Expenses*

Our other expenses increased from RMB0.3 million in 2019 to RMB5.8 million in 2020, primarily due to a donation of RMB2.1 million to a charity foundation and an increase of RMB3.2 million in impairment losses of inventories.

### *Fair Value Loss on Convertible Redeemable Preferred Shares*

Our fair value loss on convertible redeemable preferred shares increased from RMB320.1 million in 2019 to RMB657.3 million in 2020 because we completed additional equity financing with higher valuation. Please see Note 31 to the Accountants' Report set out in Appendix I to this prospectus for more information about convertible redeemable preferred shares.

### *Loss Before Tax for the Year*

For the reasons described above, our loss before tax for the year increased by RMB444.9 million from RMB596.0 million in 2019 to RMB1,040.9 million in 2020. Our adjusted loss (non-IFRS measure) for the year increased by RMB4.4 million from RMB254.2 million in 2019 to RMB258.6 million in 2020.

## DISCUSSION OF SELECTED ASSETS AND LIABILITIES ITEMS

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

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	<i>(RMB in thousands)</i>			
Total non-current assets	192,453	186,442	404,576	383,783
Total current assets	958,653	2,292,156	2,488,243	2,521,368
<b>Total assets</b>	<b>1,151,106</b>	<b>2,478,598</b>	<b>2,892,819</b>	<b>2,905,151</b>
Total non-current liabilities	1,820,624	3,657,000	7,492,929	7,963,513
Total current liabilities	337,419	613,245	830,800	1,004,577
<b>Net current assets</b>	<b>621,234</b>	<b>1,678,911</b>	<b>1,657,443</b>	<b>1,516,791</b>
<b>Total liabilities</b>	<b>2,158,043</b>	<b>4,270,245</b>	<b>8,323,729</b>	<b>8,968,090</b>
<b>Net Liabilities</b>	<b>(1,006,937)</b>	<b>(1,791,647)</b>	<b>(5,430,910)</b>	<b>(6,062,939)</b>
Equity attributable to owners of the parent:				
Share capital	61	61	138	138
Reserves	(1,010,651)	(1,796,713)	(5,429,362)	(6,062,221)
	(1,010,590)	(1,796,652)	(5,429,224)	(6,062,083)
Non-controlling interests	3,653	5,005	(1,686)	(856)
<b>Total deficit</b>	<b>(1,006,937)</b>	<b>(1,791,647)</b>	<b>(5,430,910)</b>	<b>(6,062,939)</b>

### **Other Intangible Assets**

Our other intangible assets primarily consist of software and licenses. Each of the licenses and software has an estimated useful life of ten years and three to ten years, respectively. The carrying

## FINANCIAL INFORMATION

value of our other intangible assets as of December 31, 2019, 2020, 2021 and June 30, 2022 amounted to RMB45.7 million, RMB47.4 million, RMB61.5 million and RMB60.1 million, respectively. As of December 31, 2019, 2020, 2021 and June 30, 2022, the carrying value of software amounted RMB1.0 million, RMB3.1 million, RMB11.2 million and RMB12.8 million, respectively, and the carrying value of licenses amounted to RMB44.7 million, RMB44.3 million, RMB50.3 million and RMB47.3 million, respectively.

The increases in our other intangible assets were mainly attributable to our business acquisitions and our purchases of licenses and software. For details of acquisition and disposal of subsidiaries, see Note 35, Note 36 and Note 37 to the Accountant’s Report set out in Appendix I to this prospectus. The table below sets forth a breakdown of our other intangible assets as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	<i>(RMB in thousands)</i>			
Cost at January 1, net of accumulated amortization . . . . .	3,108	45,695	47,371	61,525
Additions . . . . .	641	2,722	9,662	2,717
Acquisition of subsidiaries . . . . .	43,503	4,356	15,526	—
Disposals . . . . .	—	—	(3,900)	—
Amortization during the year/period . . . . .	<u>(1,557)</u>	<u>(5,402)</u>	<u>(7,134)</u>	<u>(4,187)</u>
<b>Net carrying amount . . . . .</b>	<b><u>45,695</u></b>	<b><u>47,371</u></b>	<b><u>61,525</u></b>	<b><u>60,055</u></b>

### Investment in an Associate

Our investment in an associate refers to our equity interest in Sinopharm Holdings Smart Pharmacy (Hubei) Co., Ltd (國藥控股思維特大藥房(湖北)有限公司) and amounted to RMB1.4 million, RMB1.3 million, RMB1.6 million and RMB1.7 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively.

### Goodwill

Our goodwill amounted to RMB42.1 million, RMB42.1 million, RMB79.8 million and RMB79.8 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively, as a result of our acquisitions of Taiyuan Taikang in July 2019, Shenyang Sanheyuan in November 2019 and Beijing Renbo in December 2021. The carrying amounts of goodwill allocated to these cash-generating units (the “CGUs”) are as follows:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	<i>(RMB in thousands)</i>			
Taiyuan Taikang . . . . .	13,374	13,374	13,374	13,374
Shenyang Sanheyuan . . . . .	28,700	28,700	28,700	28,700
Beijing Renbo . . . . .	—	—	37,749	37,749
	<b><u>42,074</u></b>	<b><u>42,074</u></b>	<b><u>79,823</u></b>	<b><u>79,823</u></b>

Goodwill is tested by the management for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The acquisition date of Beijing Renbo was December 31, 2021, thus no further impairment assessment for Beijing Renbo was performed by the management as of December 31, 2021. The recoverable amount of the CGUs has been determined based on a value in use (“VIU”) calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Other

## FINANCIAL INFORMATION

key assumptions for the VIU calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on management's expectations for the market development.

The recoverable amount of the CGUs exceeding their carrying amount is as follows:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	<i>(RMB in thousand)</i>			
Taiyuan Taikang	2,451	4,483	5,547	3,428
Shenyang Sanheyuan	6,223	11,273	5,377	5,367
Beijing Renbo	—	—	—	3,926
	<u>8,674</u>	<u>15,756</u>	<u>10,924</u>	<u>12,721</u>

The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill:

	<u>Taiyuan Taikang</u>	<u>Shenyang Sanheyuan</u>	<u>Beijing Renbo</u>
<b>December 31, 2019</b>			
Pre-tax discount rate <sup>(1)</sup>	22.16%	22.19%	N/A
Revenue (% compound growth rate) <sup>(2)</sup>	18.50%	16.27%	N/A
Terminal growth rate <sup>(3)</sup>	<u>3.00%</u>	<u>3.00%</u>	<u>N/A</u>
<b>December 31, 2020</b>			
Pre-tax discount rate <sup>(1)</sup>	22.73%	22.71%	N/A
Revenue (% compound growth rate) <sup>(2)</sup>	14.23%	12.29%	N/A
Terminal growth rate <sup>(3)</sup>	<u>3.00%</u>	<u>3.00%</u>	<u>N/A</u>
<b>December 31, 2021</b>			
Pre-tax discount rate <sup>(1)</sup>	23.06%	22.50%	N/A
Revenue (% compound growth rate) <sup>(2)</sup>	14.67%	13.23%	N/A
Terminal growth rate <sup>(3)</sup>	<u>2.30%</u>	<u>2.30%</u>	<u>N/A</u>
<b>June 30, 2022</b>			
Pre-tax discount rate <sup>(1)</sup>	22.82%	22.66%	21.73%
Revenue (% compound growth rate) <sup>(2)</sup>	14.26%	13.21%	12.55%
Terminal growth rate <sup>(3)</sup>	<u>2.30%</u>	<u>2.30%</u>	<u>2.30%</u>

*Notes:*

- (1) Pre-tax discount rate: The discount rate used is before tax and reflects specific risks relating to the relevant units.
- (2) Revenue growth rate: The basis used to determine the budgeted revenue is based on management's expectation and also expectation of the future market.
- (3) Terminal growth rate: The forecasted terminal growth rate is based on management's expectations and does not exceed the long-term average growth rate for the industry relevant to the CGUs.

## FINANCIAL INFORMATION

Our management has performed sensitivity test by decreasing 1% of expected revenue, decreasing 1% of terminal growth rate or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amount by which each CGU's recoverable amount above its carrying amount (headroom) are as below:

	Taiyuan Taikang	Shenyang Sanheyuan	Beijing Renbo
	<i>(RMB in thousand)</i>		
<b>December 31, 2019</b>			
Headroom . . . . .	2,451	6,223	N/A
Impact by decreasing expected revenue . . . . .	(297)	(672)	N/A
Impact by decreasing terminal growth rate . . . . .	(1,424)	(3,205)	N/A
Impact by increasing pre-tax discount rate . . . . .	<u>(2,016)</u>	<u>(4,522)</u>	<u>N/A</u>
<b>December 31, 2020</b>			
Headroom . . . . .	4,483	11,273	N/A
Impact by decreasing expected revenue . . . . .	(504)	(1,459)	N/A
Impact by decreasing terminal growth rate . . . . .	(1,335)	(3,069)	N/A
Impact by increasing pre-tax discount rate . . . . .	<u>(1,937)</u>	<u>(4,430)</u>	<u>N/A</u>
<b>December 31, 2021</b>			
Headroom . . . . .	5,547	5,377	N/A
Impact by decreasing expected revenue . . . . .	(496)	(1,403)	N/A
Impact by decreasing terminal growth rate . . . . .	(1,292)	(3,038)	N/A
Impact by increasing pre-tax discount rate . . . . .	<u>(2,034)</u>	<u>(4,874)</u>	<u>N/A</u>
<b>June 30, 2022</b>			
Headroom . . . . .	3,428	5,367	3,926
Impact by decreasing expected revenue . . . . .	(548)	(1,362)	(71)
Impact by decreasing terminal growth rate . . . . .	(1,353)	(3,216)	(2,438)
Impact by increasing pre-tax discount rate . . . . .	<u>(2,035)</u>	<u>(5,048)</u>	<u>(3,479)</u>

Except for these, any reasonable possible changes in the other assumptions used in the value in use calculation would not affect management's view on impairment as at the end of each of the Relevant Periods.

Based on the impairment assessment utilizing the above key assumptions, the recoverable amount of the CGUs estimated from the cash flow forecast exceeded the carrying amount of goodwill and no impairment was considered necessary. The values assigned to the key assumptions on discount rate and growth rate are consistent with external information sources.

### Inventories

During the Track Record Period, our inventories consisted of prescription medicines and medical products in our Specialty Pharmacy Business, and we did not create inventory for Physician Research Assistance and Health Insurance Services businesses. We regularly monitor our inventories and endeavor to keep an optimal inventory level in line with the expected usages in the near term. The following table sets forth our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	<i>(RMB in thousands)</i>			
Trading merchandise . . . . .	211,247	283,271	271,506	282,434
Less: provision for impairment . . . . .	(61)	(3,340)	(2,471)	(3,340)
<b>Total</b> . . . . .	<u><b>211,186</b></u>	<u><b>279,931</b></u>	<u><b>269,035</b></u>	<u><b>279,094</b></u>

## FINANCIAL INFORMATION

The following table sets forth the aging analysis of our inventories (trading merchandise before the adjustment of provision for impairment) as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	<i>(RMB in thousands)</i>			
Within 1 year .....	211,187	280,515	269,333	279,297
1 to 2 years .....	60	2,696	2,086	2,987
2 to 3 years .....	—	60	87	122
Over 3 years .....	—	—	—	28
<b>Total</b> .....	<b>211,247</b>	<b>283,271</b>	<b>271,506</b>	<b>282,434</b>

Our inventory increased from RMB211.2 million as of December 31, 2019 to RMB279.9 million as of December 31, 2020, which is in line with the expansion of the Specialty Pharmacy Business. Our inventory amounted RMB269.0 million as of December 31, 2021 and RMB279.1 million as of June 30, 2022.

The aging and expiry dates of our inventories are reviewed at the end of each year, according to which the provision will be determined on obsolete and slow-moving inventory items. Our provision for impairment increased from RMB61,000 as of December 31, 2019 to RMB3.3 million as of December 31, 2020, decreased to RMB2.5 million as of December 31, 2021 and then increase to RMB3.3 million as of June 30, 2022. The increase of provision of inventories from 2019 to 2020 was in line with our increased volume of medicine procurement as a result of expansion of our Specialty Pharmacy Business and our increased specialty pharmacies. The decrease in provision of inventories from 2020 to 2021 was primarily because of more efficient inventory management and write-off of impairment. As of December 31, 2019, 2020, 2021 and June 30, 2022, our inventories aged over one year amounted to RMB60,000, RMB2.8 million, RMB2.2 million and RMB3.1 million, respectively, which was exceeded by our provision for impairment for each of the respective year. As such, our Directors are of the view that sufficient provision has been made to inventories as of December 31, 2019, 2020, 2021 and June 30, 2022.

Our inventory turnover days from Specialty Pharmacy Business decreased from 50 days in 2019 to 38 days in 2020, and further decreased to 34 days in 2021 and 32 days for the six months ended June 30, 2022, attributable to our increased sales volume and more efficient inventory management, which resulted in faster turnover of our products and shorter inventory times. Inventory turnover days for a given period are equal to average inventory balances of the beginning and the end of the period divided by cost of sales during the period and then multiplied by the number of days of the period.

As of October 31, 2022, RMB250.8 million, or 89% of our inventories as of June 30, 2022, had been utilized or sold.

## FINANCIAL INFORMATION

### Prepayments, Other Receivables and Other Assets

The following table sets forth the breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	<i>(RMB in thousands)</i>			
<b>Non-current:</b>				
Rental deposits	3,973	5,395	8,159	8,391
Prepayments for purchase of property, plant and equipment	613	360	92	—
Prepayments for purchase of intangible assets	—	—	2,656	—
Deferred listing expenses	—	—	6,885	600
Prepayments for medicine (note a)	—	—	130,000	130,000
	<u>4,586</u>	<u>5,755</u>	<u>147,792</u>	<u>138,991</u>
<b>Current:</b>				
Price adjustment compensation (note b)	4,172	32,737	92,529	52,707
Fund receivable from external payment network providers (note c)	9,211	10,842	8,742	12,134
Value added tax recoverable	19,710	10,229	8,939	6,244
Prepayments	11,557	8,161	40,598	31,418
Staff advances	1,541	1,018	968	1,387
Withholding tax for employee income tax (note d)	—	2,981	—	—
Other receivables	4,678	6,969	10,782	25,151
Impairment allowance	—	—	(2,211)	(1,449)
	<u>50,869</u>	<u>72,937</u>	<u>160,347</u>	<u>127,592</u>

Note a: In January 2021, we entered into a distribution agreement with a third party supplier for distribution of an imported medicine human serum albumin (“HSA”) in mainland China through our nationwide pharmacy network. Pursuant to this agreement, we made payments of RMB130 million to the third party supplier in January 2021 as deposits to secure the supply of the HSA from January 2021 to June 2022 (the “Distribution Period”). Witnessing the rapid sales growth of and huge demand for HSA, which has long been one of the best-selling blood products in the market in China, we entered into this distribution agreement after arm’s length negotiation and the RMB130 million prepayment is to secure a stable, long-term and sufficient supply of HSA. To further secure the long-term supply, we entered into a supplemental agreement in July 2021 to extend the Distribution Period to January 2024. During the Distribution Period, we order HSA on demand instead of setting a routine delivery schedule. Under this distribution agreement, since 2021 and up to June 30, 2022, the HSA we purchased amounted to RMB309.5 million, 100% of which have been settled and resold by us to customers as of October 31, 2022. The deposit of RMB130 million is expected to be settled by supply of the HSA of equivalent value amounted to RMB130 million within 30 days after the end of the Distribution Period and the supplier shall return the unsettled amount with interests if its supply of HSA does not reach RMB130 million. Subsequently to optimize our working capital allocation, we entered into a second supplemental agreement with the third party supplier in October 2022, pursuant to which the deposit of RMB130 million was fully returned to us on October 27, 2022. Details of the distribution agreements are set forth below:

<b>Product:</b>	Imported human serum albumin
<b>Pricing:</b>	Purchase price is not fixed and will be notified by the supplier to us at the beginning of each month during the term of the agreement.
<b>Term:</b>	From January 2021 to January 2024
<b>Payment:</b>	(i) RMB130 million as deposits to secure the supply of products during the term of the agreement; and (ii) payment on an order-by-order basis.
<b>Inspection and Acceptance:</b>	Products should be delivered with a qualified drug inspection report and are subject to the inspection of the relevant supervision and administration authority. We have rights to refuse any defective products that fail our delivery inspection. In case of quality defects or certain events stipulated under the agreement, we entitled to product replacements or refunds.

Note b: The balance mainly represents amounts due from pharmaceutical companies to compensate us for the reduced sales price of drugs sold in the our specialty pharmacies under the centralized procurement policies. The price adjustment compensation was accrued at the end of each reporting period and accounted as a reduction of our cost of sales. The pharmaceutical companies normally provided RMB4.3 million, RMB62.6 million, RMB160.6 million and RMB56.9 million price adjustment compensation to us in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. As of October 31, 2022, RMB22.8 million, or 43.2% of the other receivables for price adjustment compensation as of June 30, 2022, have been settled.

Note c: The balance represents the receivables from payment processors such as China UnionPay, WeChat and Alipay or aggregators that are cash due from them for clearing transactions. The cash was paid by individual customers of pharmacy stores through these payment processors or aggregators for selling medicines in specialty by us.

## FINANCIAL INFORMATION

Note d: The balance represents the receivables from employees in respect of withholding tax for employee individual income tax associated with share options paid by us on behalf of employee.

### Trade and Bills Receivables

During the Track Record Period, our trade and bills receivables mainly included (i) the account receivables from the supply of SMO service in the Physician Research Assistance business; (ii) the account receivables to be reimbursed by the social medical insurance; and (iii) our sales of medicines to customer for our Specialty Pharmacy Business. In addition, our Health Insurance Services business was comparably small and did not create large amounts of trade receivables during the Track Record Period. The following tables set forth a breakdown of trade and bills receivables as of the dates indicated:

	As of December 31,			As of June 30, 2022
	2019	2020	2021	
	<i>(RMB in thousands)</i>			
Bills receivables	—	—	4,607	1,295
Trade receivables	40,112	50,358	175,261	269,759
Less: allowance for credit losses	<u>(1,395)</u>	<u>(5,756)</u>	<u>(8,673)</u>	<u>(13,019)</u>
<b>Total</b>	<b><u>38,717</u></b>	<b><u>44,602</u></b>	<b><u>171,195</u></b>	<b><u>258,035</u></b>

The following table set forth a breakdown of trade and bills receivables by segments as of the dates indicated:

	As of December 31,			As of June 30, 2022
	2019	2020	2021	
	<i>(RMB in thousands)</i>			
Specialty Pharmacy Business	11,368	27,545	119,093	124,034
Physician Research Assistance	27,998	21,189	44,881	76,854
Health Insurance Services	746	1,624	15,894	70,166
Less: allowance for credit losses	<u>(1,395)</u>	<u>(5,756)</u>	<u>(8,673)</u>	<u>(13,019)</u>
<b>Total</b>	<b><u>38,717</u></b>	<b><u>44,602</u></b>	<b><u>171,195</u></b>	<b><u>258,035</u></b>

Our trade and bills receivables were RMB38.7 million, RMB44.6 million, RMB171.2 million and RMB258.0 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively, of which the increase was mainly attributable to the expansion of our Specialty Pharmacy Business. Since Guangdong Dahui has obtained the first level distribution qualification for certain medication from pharmaceutical manufacturers, our customer base has expanded to include not only individual customers but also pharmaceutical distributors and pharmaceutical companies, which contributed to an increase in the trade receivables since 2021. The major customers contributed to the increase in trade receivables were mainly subsidiaries of public pharmaceutical companies that mainly engaged in medical distribution and logistics business. For details, see “Business—Specialty Pharmacy Business—Source of Specialty Pharmacy Business Customers” in this prospectus. Furthermore, 47 of our specialty pharmacies have obtained the “dual-channel” qualification from local health security administrations as of June 30, 2022, resulting in an increasing receivable amount to be reimbursed by the social medical insurance. As a result, the trade and bills receivables (net of allowance for ECLs) attributable to our Specialty Pharmacy Business, Physician Research Assistance and others accounted for 44.7%, 28.3% and 27.0%, respectively, as of June 30, 2022. We make periodic overall assessments as well as individual assessments on the recoverability of trade receivables, monitor and chase outstanding receivables based on historical settlement records, latest financial information available and the industry they operate in. As our increase in trade receivables are largely in line with our rapid



## FINANCIAL INFORMATION

business expansion of Specialty Pharmacy Business and Physician Research Assistance business, and based on the low default of trade receivables during the Track Record Period, we are of the view that the credit risk of trade receivables is low as our customers have demonstrated strong capabilities to meet their contractual obligations.

Our turnover days of trade receivables from Physician Research Assistance business increased from 38 days in 2019 to 48 days in 2020, and further to 49 days in 2021 and 73 days for the six months ended June 30, 2022, and the increasing turnover days were primarily due to the development of our SMO projects. Meanwhile, the settlement cycle was impacted by the COVID-19 in the first half of 2022. Our turnover days of trade receivables from Specialty Pharmacy Business were two days in 2019, three days in 2020, nine days in 2021 and 13 days for the six months ended June 30, 2022. The increase in turnover days for our Specialty Pharmacy Business was mainly due to an increase in the receivable amount to be reimbursed by the social medical insurance as we had more specialty pharmacies granted with “dual-channel” qualification. Trade receivables turnover days for a given period are equal to the average trade receivables, of the beginning and the end of the period divided by revenues during the period and multiplied by the number of days during the period.

The aging analysis of the trade and bills receivables based on invoice date and net of allowance for ECL is as follows:

	As of December 31,			As of June 30, 2022
	2019	2020	2021	
	<i>(RMB in thousands)</i>			
Within 1 month . . . . .	16,751	27,285	128,512	170,226
1 to 2 months . . . . .	15,880	9,233	25,120	31,945
2 to 6 months . . . . .	5,538	5,108	11,005	46,076
6 to 12 months . . . . .	548	2,976	6,558	9,487
Over 12 months . . . . .	—	—	—	301
<b>Total</b> . . . . .	<b>38,717</b>	<b>44,602</b>	<b>171,195</b>	<b>258,035</b>

The aging and collection cycle of our trade receivables had maintained stable during the Track Record Period, a majority of which were collected within one month. In determining the recoverability of the trade receivables, we consider any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of each year during the Track Record Period. In addition, we review the recoverable amount of each individual trade receivable at the end of each year during the Track Record Period and considers to make impairment losses for irrecoverable amount, if necessary.

We determine the expected credit loss for our trade receivables and contract assets by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience based on the aging of the trade receivables and contract assets, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. As of June 30, 2022, 98.1% of our trade receivables and contract assets were within 12 months, for which we determined an expected credit loss rate ranging from 1% to 4%; and the remaining 1.9% were over 12 months, for which we determined an expected credit loss rate of 95.8%. For the trade receivables and contract assets within 12 months and not impaired, we usually granted a credit term of 20 to 50 days to our Physician Research Assistance customers, 30 to 90 days to our Specialty Pharmacy Business, and 20 to 30 days to our Health Insurance Services customers. Given the credit period granted by us is generally one to two months, we carefully monitor the trade receivables aged over two months. As of June 30, 2022, our trade receivables over two months (net of allowance for ECLs) and not further impaired amounted

---

## FINANCIAL INFORMATION

---

to RMB55.9 million, which accounted for less than 5% of our revenue for the six months ended June 30, 2022, and this portion of trade receivables are primarily because we may grant longer credit period to certain customers based on their credit ratings and practical payment cycle from certain customers may take longer than the credit period granted. For details of the credit rating classification of our customers, see Note 24 to the Accountant's Report set out in Appendix I to this prospectus. In addition, a number of our customers are public and multi-national pharmaceutical companies, which established stringent internal reviewing and payment procedures that take relative long payment cycles. Given that substantially all of our trade receivables have been collected within one year during the Track Record Period and the trade receivables as of June 30, 2021 are related to our active projects, we do not expect to have substantial recoverability issues.

As of October 31, 2022, RMB176.4 million, or 65% of our trade and bills receivables as of June 30, 2022, had been settled.

### **Contract Assets**

Our contract assets primarily arise from the Physician Research Assistance Business, representing our right to consideration for services completed but not billed because the rights are conditioned upon our future performance in achieving specified milestones as stipulated in the contracts. We are entitled to issue bills for services we provided when the corresponding milestone has been achieved and then the outstanding amount of the contract assets will be transferred to trade receivables. Our contract assets amounted to RMB50.4 million, RMB73.4 million, RMB103.3 million and RMB110.7 million as of December 31, 2019, 2020, 2021 and June 30, 2022, the continuous increase in which were in line with the increase in the ongoing service of our Physician Research Assistance Business.

The contract assets balance arise because of the intervals between milestones as stipulated in the SMO service contracts. In line with the industry norm, the SMO service contracts we entered into set forth a series of milestone payments conditioned upon the progress of projects, including the execution of the contract, the launch of trial sites, the progress of participants enrollment, the phase of clinical trials, the completion of participants follow-ups, site closure, etc. The interval between each milestone stone varies and fluctuates with the milestone conditions, such as the enrollment of eligible participants and the progress of clinical trials. For example, one of our ongoing project took approximately 11 months to complete the participant enrollment in 2019; for another ongoing project that designed to enroll over 500 participants, it took approximately 10 months to complete 30% of enrollment, approximately an additional 11 months to complete 60% of enrollment and it is currently enrolling the remaining 40%. COVID-19 pandemic has also increased the difficulties of achieving certain milestones such as participant enrollment, and resulted in slow conversion of contract assets into trade receivables. Furthermore, for projects involving multi-center trials, we carry out various trials at multiple centers for different milestones at the same time, which also led to significant contract assets during the Track Record Period. During the Track Record Period, we did not find difficulty in turning the contract assets into trade receivables.

The ratio of our contract assets balance to total revenue attributable to Physician Research Assistance business increased from 29% in 2019 to 40% in 2020 and 42% in 2021. The increase from 2019 to 2020 was mainly because a majority of our SMO projects were at early stage in 2019 and the early-stage milestones, such as the execution of contracts or first participant enrollment, were relatively easier to achieve as compared with follow-up milestones going forward. The contract assets balance as of June 30, 2022 was RMB110.7 million.

---

## FINANCIAL INFORMATION

---

The table below sets forth the analysis of our contract assets:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	<i>(RMB in thousands)</i>			
Contract assets . . . . .	51,873	75,906	107,013	115,893
Less: Allowance for credit losses . . . . .	(1,498)	(2,468)	(3,747)	(5,166)
	<b>50,375</b>	<b>73,438</b>	<b>103,266</b>	<b>110,727</b>

We determine the ECLs by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience based on the aging of the trade receivables and contract assets, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. For details, see Note 24 to the Accountant’s Report set out in Appendix I to this prospectus.

The turnover days of trade receivables and contract assets by including contract assets were 22 days, 15 days, 22 days and 32 days in 2019, 2020, 2021 and six months ended June 30, 2022, respectively, demonstrating our relative high turnover rate during the Track Record Period. We had lower turnover days in 2020 as our revenue significantly increased 159.8% in that year mainly attributable by the rapid expansion of our Specialty Pharmacy Business. We had higher turnover days in the six months ended June 30, 2022 primarily because (i) we further developed our SMO projects while the settlement cycle was impacted by the COVID-19 in the first half of 2022; (ii) the receivable amount to be reimbursed by the social medical insurance increased as we had more specialty pharmacies granted with “dual-channel” qualification; and (iii) the balance of accounts receivable increased as our revenue from our Health Insurance Services increased 125.9% as compared to the six months ended June 30, 2021.

As of October 31, 2022, RMB47.4 million, or 41% of our contract assets as of June 30, 2022, had been certified by issuance of bills. We are of the view that the settlement risk of the contract assets is low given that (i) the customers relating to the uncertified contract assets are mostly public and multi-national pharmaceutical companies with high credit ratings, sound financial condition and low default rate, and we did not encounter recoverability issues with these customers during the Track Record Period; (ii) the on-going projects generating contract assets remain active and proceed smoothly without known impediments that might delay the project progress; and (iii) the increase in contract assets balance is largely in line with the rapid development of our Physician Research Assistance business. Therefore, we did not identify any recoverability issue relating to our contract assets.

### Financial Assets at FVTPL

During the Track Record Period, our financial assets at FVTPL represented money market fund investment and wealth management products we purchased, comprising short-term or low-risk financial products. The expected rate of return ranged from 1.40% to 4.90% per annum. As of June 30, 2022, the money market fund investment or wealth management products had been fully disposed or redeemed by us.

We have implemented a series of internal control policies and rules regarding investment in wealth management products historically to ensure that the purpose of investment is to preserve capital and liquidity until free cash is used in our primary business and operation. Prior to making an investment, we ensure that there remains sufficient working capital for our business needs, operating activities, research and development and capital expenditures even after purchasing such wealth management products. We adopt a prudent approach in selecting financial products. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, such as

---

## FINANCIAL INFORMATION

---

duration of the investment and the expected returns. All wealth management products we purchased during the Track Record Period were approved by our senior management team. Our senior management team and the finance department are mainly responsible for making, implementing and supervising our investment decisions. Prior to making an investment, we ensure that there remains sufficient working capital for our business needs, operating activities, research and development and capital expenditures even after purchasing such wealth management products. We adopt a prudent approach in selecting wealth management products. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, such as the duration of the investment and the expected returns. To control our risk exposure, we have in the past sought, and may continue in the future to seek other low-risk financial products with terms no longer than six months. Additionally, we mainly invest in financial products offered by reputable commercial banks or reputable financial institutions. After making an investment, we closely monitor its performance and fair value on a regular basis. Making such investment after the Listing will be subject to the requirements under Chapter 14 of the Listing Rules.

### **Cash Held on Behalf of Client**

The balance of cash held on behalf of client represents the premiums that we collected on behalf of insurance carriers from the insurance consumers in a fiduciary capacity until disbursed to the insurance carriers. As of December 31, 2019, 2020, 2021 and June 30, 2022, we had cash held on behalf of client of RMB8.2 million, RMB145.6 million, RMB166.2 million and RMB288.1 million, respectively. We began to hold cash on behalf of our insurance carrier partners for provision of Hui Min Insurance since December 2019. We were designated by our insurance carrier partners to collect insurance premiums paid by individual members on third-party online payment platforms such as Weixin Pay. Such balance was temporarily deposited in our separated bank accounts and Weixin official accounts and was in compliance with the requirements of PRC authority for insurance brokerage operation. We have classified the insurance carriers' money as cash held on behalf of clients under the current assets section of the consolidated statements of financial position and recognized the corresponding payables to respective insurance carriers on the grounds that we are liable for any loss or misappropriation of their money.

The cash held on behalf of clients is typically settled within 60 days following the expiration of enrollment period determined for each launch of Hui Min Insurance designed for a province or city. As of October 31, 2022, RMB288.1 million, or 100% of the cash held on behalf of clients as of June 30, 2022, had been settled.

### **Cash and Cash Equivalents**

Our cash and cash equivalents primarily consisted of cash and cash equivalents denominated in Renminbi. As of December 31, 2019 and 2020, we recorded cash and cash equivalents of RMB199.1 million and RMB1,628.0 million, respectively, representing a trend of continuous growth primarily due to our financing activities. As of December 31, 2021, we recorded cash and cash equivalents of RMB535.8 million, and the decrease in the amount as compared to December 31, 2020 was primarily because of our purchase of the wealth management products. As of June 30, 2022, we recorded cash and cash equivalents of RMB1,366.4 million, primarily because of our redemption of the wealth management products.

### **Trade Payables**

During the Track Record Period, our trade payables primarily consisted of the accounts payable for procurement of prescription medicines. Our trade payables increased from RMB160.6 million as of

## FINANCIAL INFORMATION

December 31, 2019 to RMB230.5 million as of December 31, 2020 and further to RMB237.2 million as of December 31, 2021 and RMB317.6 million as of June 30, 2022, primarily due to our increased procurement of prescription medicines as a result of business expansion.

Our trade payables turnover days in 2019, 2020, 2021 and the six months ended June 30, 2022 are 32 days, 28 days, 27 days and 29 days, respectively. Our trade payables turnover days remained relatively stable during the Track Record Period. Trade payables turnover days for a given period are equal to the average trade payables, of the beginning and the end of the period divided by cost of sales during the period and multiplied by the number of days during the period.

The aging analysis of the trade payables based on invoice date is as follows:

	As of December 31,			As of
	2019	2020	2021	June 30, 2022
	<i>(RMB in thousands)</i>			
Within 1 month .....	147,192	212,868	185,322	269,987
1 to 3 month .....	10,943	14,356	31,386	39,923
3 to 6 month .....	918	1,944	16,710	3,204
Over 6 month .....	1,559	1,296	3,737	4,515
<b>Total</b> .....	<b>160,612</b>	<b>230,464</b>	<b>237,155</b>	<b>317,629</b>

We have maintained a healthy and cooperative relationship with our suppliers, and most of our trade payables are paid within one month, resulting in a stable aging structure of trade payables.

During the Track Record Period, we did not have any material default on our trade payable.

As of October 31, 2022, RMB317.6 million, or 100% of our trade payables as of June 30, 2022, had been settled.

### Contract Liabilities

Contract liabilities include the SMO service and advance payment of pharmaceutical products. Our contract liabilities amounted to RMB59.6 million, RMB105.9 million, RMB167.3 million and RMB166.3 million as of December 31, 2019, 2020, 2021 and June 30, 2022. The increase of contract liabilities from 2019 to 2021 was mainly due to the increase in short-term advance payments received from customers in relation to provision of service of Physician Research Assistance Business at the end of each respective year.

As of October 31, 2022, RMB81.7 million, or 49% of our contract liabilities as of June 30, 2022, had been recognized as revenue.

### Contingent Consideration Payables

As of December 31, 2019, 2020, 2021 and June 30, 2022, our contingent consideration was nil, nil, RMB24.5 million and RMB24.5 million, respectively. We incurred the contingent consideration payables in relation to our acquisition of Beijing Renbo. In December 2021, we entered into a share purchase agreement with the shareholders of Beijing Renbo, pursuant to which we acquired 70.0% equity interest of Beijing Renbo from Beijing Kangnuo Medical Investment Management Co., Ltd (“**Beijing Kangnuo**”), an Independent third party at a total cash consideration of RMB14.7 million and estimated contingent consideration of approximately RMB24.5 million. The remaining 30% equity

## FINANCIAL INFORMATION

interests are held by Beijing Kangnuo. As part of this purchase agreement, contingent consideration is payable depending on the achievement of certain net profit target over a period of 12 months subsequent to the acquisition. For details, please see Note 35 to the Accountants' Report in Appendix I to this prospectus.

### LIQUIDITY AND CAPITAL RESOURCES

#### Net Current Assets/Liabilities

	As of December 31,			As of	As of
	2019	2020	2021	June 30, 2022	October 31, 2022
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
<b>Current assets</b>					
Inventories	211,186	279,931	269,035	279,094	281,301
Contract cost <sup>(1)</sup>	3,761	3,906	2,337	11,134	566
Trade and bills receivables	38,717	44,602	171,195	258,035	243,748
Contract assets	50,375	73,438	103,266	110,727	97,006
Prepayments, other receivables and other assets	50,869	72,937	160,347	127,592	132,861
Amounts due from related parties	181	589	7,666	1,935	1,646
Financial assets at FVTPL	391,275	38,060	1,067,321	—	706,390
Time deposits	5,000	5,048	5,048	5,097	5,130
Cash held on behalf of client	8,179	145,624	166,179	288,131	49,906
Pledged deposits <sup>(2)</sup>	—	—	—	73,200	92,685
Cash and cash equivalents	199,110	1,628,021	535,849	1,366,423	761,874
<b>Total current assets</b>	<b>958,653</b>	<b>2,292,156</b>	<b>2,488,243</b>	<b>2,521,368</b>	<b>2,373,113</b>
<b>Current liabilities</b>					
Trade payables	(160,612)	(230,464)	(237,155)	(317,629)	(367,373)
Other payables and accruals	(95,657)	(249,708)	(367,114)	(458,219)	(212,207)
Amounts due to related parties	—	—	(2,878)	(1,864)	(2,994)
Contract liabilities	(59,614)	(105,884)	(167,285)	(166,291)	(176,248)
Lease liabilities	(21,428)	(26,682)	(34,123)	(34,931)	(30,753)
Contingent consideration payables	—	—	(20,790)	(24,467)	(3,677)
Income tax payable	(108)	(507)	(1,455)	(1,176)	(67)
<b>Total current liabilities</b>	<b>(337,419)</b>	<b>(613,245)</b>	<b>(830,800)</b>	<b>(1,004,577)</b>	<b>(793,319)</b>
<b>Net current assets</b>	<b>621,234</b>	<b>1,678,911</b>	<b>1,657,443</b>	<b>1,516,791</b>	<b>1,579,794</b>

*Note:*

(1) Contract cost represents costs to fulfill a contract mainly consist of advertising and promotion expenses directly related to rendering of insurance brokerage services to insurance carriers in Health Insurance Services business. The asset recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the revenue recognition of insurance brokerage services.

(2) Pledged deposits represent deposits pledged for letters of credit.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded net current assets of RMB621.2 million, RMB1,678.9 million and RMB1,657.4 million and RMB1,516.8, respectively. Our net current assets substantially increased to RMB1,678.9 million as of December 31, 2020 from RMB621.2 million as of December 31, 2019, mainly attributable to a RMB1,428.9 million increase in our cash and cash equivalents, representing a trend of continuous growth primarily due to our financing activities, especially from our series E financing.

#### Working Capital

During the Track Record Period, we primarily funded our working capital requirements through capital contributions from our shareholders and private equity financing. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Our net cash used in operating activities was RMB327.2 million,

## FINANCIAL INFORMATION

RMB192.1 million, RMB621.9 million and RMB215.0 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. As our business develops and expands, we expect to generate net cash from our operating activities, through the sales revenue of our future commercialized products. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of our cash equivalents and cash and net proceeds from the Global Offering. As of June 30, 2022, we had cash and cash equivalents of RMB1,366.4 million.

The Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents, internally generated funds and the estimated net proceeds from the Listing, we have sufficient working capital to meet our present needs, including research and development expenses, selling and marketing expenses, administrative expenses, and other operating costs, for at least the next 12 months from the date of this prospectus.

### Working Capital Management

To improve our working capital and net current liabilities position, we will continue to review regularly and update our liquidity and funding policies to ensure that it is aligned with our business plan and financial position. We will also prepare cash flow and funding summaries on a regular basis to monitor our cash flow relating to our receipt of payments from customers, merchandise, inventory, operating costs, and other expenses. Our Executive Directors and senior management hold regular meetings to review the working capital and liquidity management. In order to enhance our working capital management, we will manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. We would carefully consider our cash position and ability to obtain further financing when arranging payment for major business plans and transactions.

### Cash Flows

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

	Year Ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	<i>(unaudited)</i>				
	<i>(RMB in thousands)</i>				
Cash outflow used in operating activities before movements in working capital . . . . .	(226,254)	(219,524)	(374,591)	(190,864)	(136,429)
Changes in working capital . . . . .	(100,390)	28,341	(245,938)	(283,181)	(76,662)
Income tax paid . . . . .	(516)	(934)	(1,390)	(490)	(1,917)
Net cash flows used in operating activities . . . . .	(327,160)	(192,117)	(621,919)	(474,535)	(215,008)
Net cash flows (used in)/from investing activities . . . . .	(80,615)	319,617	(1,020,333)	(1,218,018)	1,056,987
Net cash flows from/(used in) financing activities . . . . .	551,710	1,311,939	559,292	731,248	(13,678)
Net increase/(decrease) in cash and cash equivalents . . . . .	143,935	1,439,439	(1,082,960)	(961,305)	828,301
Cash and cash equivalents at beginning of the year/period . . . . .	59,904	199,110	1,628,021	1,628,021	535,849
Effect of foreign exchange rate changes, net . . . .	(4,729)	(10,528)	(9,212)	(9,072)	2,273
Cash and cash equivalents at end of the year/period . . . . .	<u>199,110</u>	<u>1,628,021</u>	<u>535,849</u>	<u>657,644</u>	<u>1,366,423</u>

### Net Cash Flows Used in Operating Activities

Net cash used in operating activities in the six months ended June 30, 2022 was RMB215.0 million. The difference between the loss before tax of RMB344.4 million and negative operating cash flow of RMB215.0 million was the result of adding back a non-cash loss of RMB85.1 million on fair value

---

## FINANCIAL INFORMATION

---

changes of convertible redeemable preferred shares and share-based payment compensation of RMB105.7 million. The changes in working capital accounts mainly include a RMB122.0 million increase in cash held on behalf of clients and a RMB91.2 million increase in trade and bills receivables, partially offset by a RMB122.4 million increase in other payables and accruals and a RMB80.5 million increase in trade payables.

Net cash used in operating activities in 2021 was RMB621.9 million. The difference between the loss before tax of RMB3,747.7 million and negative operating cash flow of RMB621.9 million was the result of adding back a non-cash loss of RMB3,048.4 million on fair value changes of convertible redeemable preferred shares and share-based payment compensation of RMB298.7 million, partially offset by RMB245.9 million used in working capital. The changes in working capital accounts mainly include a RMB219.2 million increase in prepayments, other receivables and other assets and a RMB133.0 million increase in trade and bills receivables, partially offset by a RMB60.2 million increase in other payable and accruals and a RMB61.5 million increase in contract liabilities.

Net cash used in operating activities in 2020 was RMB192.1 million. The difference between the loss before tax of RMB1,040.9 million and negative operating cash flow of RMB192.1 million was the result of adding back a non-cash loss of RMB657.3 million on fair value changes of convertible redeemable preferred shares, and share based compensation of RMB114.0 million. Additionally RMB28.3 million was released from changes in working capital accounts, which mainly includes a RMB175.8 million increase in other payables and accruals, a RMB69.9 million increase in trade payables, and a RMB46.3 million increase in contract liabilities, partially offset by a RMB71.0 million increase in inventories.

Net cash used in operating activities in 2019 was RMB327.2 million. The difference between the loss before tax of RMB596.0 million and negative operating cash flow of RMB327.2 million was the result of adding back a non-cash loss of RMB320.1 million on fair value changes of convertible redeemable preferred shares, a share based-payment compensation of RMB21.7 million, and a depreciation of right-of-use assets of RMB20.1 million, partially offset by RMB100.4 million used in working capital. The changes in working capital accounts mainly include a RMB171.7 million increase in inventories and a RMB36.8 million increase in prepayments, other receivables and other assets, partially offset by a RMB114.7 million increase in trade payables.

### **Net Cash Flows Used in/from Investing Activities**

Net cash provided by investing activities in the six months ended June 30, 2022 was RMB1,057.0 million, consisting primarily of RMB1,077.6 million proceeds from withdrawal of financial products at FVTPL.

Net cash used in investing activities in 2021 was RMB1,020.3 million, consisting primarily of RMB1,003.6 million used in purchase of financial products.

Net cash provided by investing activities in 2020 was RMB319.6 million, consisting primarily of RMB362.0 million received from disposal of financial products, partially offset by RMB29.1 million used in acquisition of subsidiaries.

Net cash used in investing activities in 2019 was RMB80.6 million, consisting primarily of (i) RMB47.2 million used in acquisition of subsidiaries; (ii) RMB16.8 million used in purchase of property, plant and equipment; and (iii) RMB16.0 million used in purchase of financial products.



## FINANCIAL INFORMATION

### Net Cash Flows from Financing Activities

Net cash used in financing activities in the six months ended June 30, 2022 was RMB13.7 million, consisting primarily of RMB12.2 million in principal portion of lease payments; and RMB2.0 million in interest paid for lease liabilities.

Net cash provided by financing activities in 2021 was RMB559.3 million, consisting primarily of RMB1,126.7 million received from issuance of convertible redeemable preferred shares, partially offset by (i) RMB262.6 million in disposal of subsidiaries of off-line clinics services; and (ii) RMB206.8 million in repurchase of the convertible redeemable preferred shares.

Net cash provided by financing activities in 2020 was RMB1,311.9 million, consisting primarily of RMB1,340.5 million received from issuance of convertible redeemable preferred shares.

Net cash provided by financing activities in 2019 was RMB551.7 million, consisting primarily of RMB573.7 million received from issuance of convertible redeemable preferred shares.

### INDEBTEDNESS

As of June 30, 2022, except as disclosed below on lease liabilities and convertible redeemable preferred shares, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities. Since the Latest Practicable Date for the purpose of this indebtedness statement, and up to the date of this prospectus, there had been no material adverse change to our indebtedness. The following table sets forth the components of our indebtedness as of the dates indicated.

	As of December 31,			As of	As of
	2019	2020	2021	June 30, 2022	October 31, 2022
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
Lease liabilities:					
Current	(21,428)	(26,682)	(34,123)	(34,931)	(30,753)
Non-current	(44,964)	(36,905)	(52,895)	(47,688)	(43,216)
Convertible redeemable preferred shares	<u>(1,774,143)</u>	<u>(3,618,732)</u>	<u>(7,434,838)</u>	<u>(7,914,398)</u>	<u>(8,435,950)</u>
<b>Total</b>	<b><u>(1,840,535)</u></b>	<b><u>(3,682,319)</u></b>	<b><u>(7,521,856)</u></b>	<b><u>(7,997,017)</u></b>	<b><u>(8,509,919)</u></b>

Our lease liabilities were primarily in relation to the properties we leased for our office premises and pharmacy storefronts as well as additions resulting from our acquisition of subsidiaries. We recognize a lease liability with respect to all leases, except for short-term leases and leases of low value assets.

As of the Latest Practicable Date, we have obtained credit facilities of RMB145 million from a PRC commercial bank (subject to the provision of requisite documentation and opening of account) and has another three credit facilities of RMB100 million, RMB200 million and RMB80 million, respectively, under lenders' internal approval process. As of the Latest Practicable Date, we had unutilised banking facilities of RMB66 million.

### CAPITAL EXPENDITURES

We regularly incur capital expenditures to expand our operations, upgrade our facilities, enhance our development capabilities and increase our operating efficiency. Our capital expenditures primarily

## FINANCIAL INFORMATION

consisted of expenditures on office equipment, motor vehicles as well as leasehold improvements during the Track Record Period. The following table sets forth our capital expenditures for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2019	2020	2021	2022
	<i>(RMB in thousands)</i>			
Purchases of property, plant and equipment .....	16,821	11,990	16,577	3,919
Purchases of other intangible assets .....	—	2,722	4,832	7,495
<b>Total</b> .....	<b>16,821</b>	<b>14,712</b>	<b>21,409</b>	<b>11,414</b>

### BUSINESS SUSTAINABILITY AND WORKING CAPITAL SUFFICIENCY

Although we recorded net loss of RMB596 million, RMB1,042 million, RMB3,749 million and RMB346 million for 2019, 2020, 2021 and six months ended June 30, 2022 (or adjusted net loss (non-IFRS measure) of RMB254 million, RMB259 million, RMB365 million and RMB143 million if excluding fair value loss on convertible redeemable preferred shares and certain other items) respectively, we estimate to achieve net profit in the coming three to five years with the below plans:

For Specialty Pharmacy Business, we plan to (i) drive continued revenue growth by strategically opening of new specialty pharmacies; and (ii) take measures to steadily improve the store-level profitability for our specialty pharmacies. We will continue to expand geographically, by opening up new pharmacies organically or acquiring externally when right opportunities arise. We aim to open approximately 35 specialty pharmacies by 2024. In terms of performance of our specialty pharmacy per store, we expect to steadily improve the average monthly revenue from RMB2.9 million per store in 2021 to over RMB3.0 million in 2022. We believe the store-level profitability of our existing pharmacies will continue to grow in the near future, considering (i) the sales of existing pharmacies are expected to continue to grow; (ii) operating costs as a percentage of revenue are also expected to reduce as we further expand; and (iii) we are expected to make purchases at favorable condition as a result of our increased bargaining power and enlarged business scale, thereby increasing the profitability of our existing pharmacies. In line with the expansion of our specialty pharmacy network, we expect that we will be able to control our costs and expenses for existing specialty pharmacies primarily through improving overall operational efficiency, including inventory management efficiency, to reduce logistics costs and rental expenses. The scale expansion and improved per store performance together are expected to help significantly grow revenue from Specialty Pharmacy Business.

For Physician Research Assistance business, we had backlogged contracts of RMB986.5 million in the aggregate as of June 30, 2022, which will contribute to our future revenue growth as 80% of the backlogged contracts are expected to be recognized within three years and the remaining 20% to be recognized within five years. In addition, we already managed to secure another RMB220.8 million order of Physician Research Assistance service in the first half of 2022, and in the long run, as the market leader in the oncology site management service industry, we believe that we are well positioned to capture the over 20% CAGR growth till 2026. As a result of the combinational effect of backlogged contracts continuously contributing to future revenue streams as well as steady growth from new contracts, we expect to more than double our revenue from Physician Research Assistance business in the coming three to five years. Additionally, we will improve the profitability of our Physician Research Assistance business leveraging our accumulated experience in providing a variety of SMO

---

## FINANCIAL INFORMATION

---

services to meet diversified customer demands, streamlining the project process and securing more orders with the support of the symbiotic ecosystem of our three business lines.

For Health Insurance Services business, we will continue our current pace to roll out Hui Min Insurance in about 10 new cities as what we did in 2021, which is expected to significantly grow our member base and revenue in the coming three to five years. We will actively seek suitable target cities including provincial capitals and leading provincial tier 2 and tier 3 cities. Accordingly, we expect to increase our customer base by approximately five to seven million per year. Additionally, as insured members begin to complete their initial one-year term of Hui Min Insurance in various cities, many of them are expected to renew their coverage and continue to generate revenue for us. Moreover, we expect Enterprise Health Plan to become an important revenue contributor. We have won the trust from more than 740 enterprises, including several Fortune 500 companies, on the second year after launching the Enterprise Health Plans. We will further strengthen and customize our the Enterprise Health Plans to cater for evolving clients' needs. On the other hand, we will actively seek market opportunities and target mainly enterprise clients with over 1,000 employees in tier 1 and leading tier 2 cities in China with booming economics. Expected to continue this momentum, Enterprise Health Plan is estimated to contribute even more revenue than our Hui Min Insurance in the coming three to five years.

On top of the above revenue expansion, we will also endeavor to improve operating efficiency, especially as a result of economies of scale. Specifically, we expect to have better marketing and promotion efficiency, as we have been continuously winning trust and building reputation among pharmaceutical and biotech companies, through assisting their clinical trials in Physician Research Assistance business, functioning as their important product distribution channels in Specialty Pharmacy Business, and creating important payment solutions for their products with Hui Min Insurance in Health Insurance Services business. Similarly, the continuing success of Hui Min Insurance in many cities will propel insurance carriers to seek to work with us and develop insurance products in new cities, thus lowering business development expenses. Additionally, as insured members begin to complete their initial one-year term of Hui Min Insurance in various cities, many of them are expected to renew their coverage which will save us from the marketing and promotion spending when first launching Hui Min Insurance.

We gradually receive more favorable terms from our business partners as the scale goes up, especially from the suppliers of special medication from pharmaceutical companies in the Specialty Pharmacy Business. The initial cost of building a strong headquarter management and back office functions also begins to be spread out and shared by the increasingly large revenue base across all three segments.

All these efforts combined, we expect to achieve net profit in the coming three to five years.

### **Measures to Mitigate Risks Relating to Net Operating Cash Outflows**

We expect our net operating cash outflows position to improve concurrently with our profitability, mainly through (i) growing and diversifying each business line to achieve optimized economy of scale and preferable business terms, so as to improve gross margin and operating margin; (ii) putting more efforts in receivables collection management in order to reduce our receivables and turnover days so as to improve our working capital condition; (iii) actively seeking bank loan facilities or private financings to create a better capital mix and lowering the costs for raising external fundings to achieve a better working capital condition; and (iv) further improving our operational efficiency to enhance our working capital position through review regularly and update our liquidity and funding policies to ensure that it is aligned with our business plan and financial position, preparing cash flow and funding

## FINANCIAL INFORMATION

summaries on a regular basis to monitor our cash flow, conducting regular review by our management and a serious related measures.

### Measures to Mitigate Risks Relating to Net Liabilities

On the liquidity side, we had cash and cash equivalents of RMB536 million as of December 31, 2021, and additional financial assets at FVTPL, which were all highly liquid and low risk investment products purchased from reputable banks, of RMB1,067 million as of the same date. Comparably, RMB246 million of cash were used for working capital in 2021. Furthermore, we recorded net current assets of RMB621.2 million, RMB1,678.9 million, RMB1,657.4 million and RMB1,516.8 million, respectively, as of December 31, 2019, 2020, 2021 and June 30, 2022. We recorded net liabilities of RMB1,006.9 million, RMB1,791.6 million, RMB5,430.9 million and RMB6,062.9 million, respectively, as of December 31, 2019, 2020, 2021 and June 30, 2022, primarily reflecting changes in equity comprising (i) total comprehensive expense for the year; (ii) share-based payment compensation; and (iii) acquisition of subsidiaries or disposal of subsidiaries of offline clinic services. Our net liabilities condition were mainly due to the convertible redeemable preferred shares which will be redesignated and reclassified from liabilities to equity upon the Listing. Our liquidity condition was also well indicated by our current ratio which ranged from 2.5 to 3.7 at the end of each year during the Track Record Period. We believe our strong liquidity position is comfortably sufficient to support the demand from working capital within three to five years, even without taking into consideration of the proceeds from this Global Offering.

### CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES, AND OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had capital commitments for our purchase of property, plant and equipment of RMB0.8 million, RMB0.7 million, RMB0.6 million and RMB0.3 million, respectively.

As of June 30, 2022, we had no significant contingent liabilities except for the contingent consideration payables disclosed in Note 35 set out in Appendix I to this prospectus. We confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

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

### KEY FINANCIAL RATIOS

The table below sets forth the key financial ratios of our Group as of the dates indicated:

	As of/For the Year Ended December 31,			As of/For the Six Months Ended June 30,
	2019	2020	2021	2022
Gross profit margin (%)	7.9	6.9	8.2	9.4
Net loss margin (%)	(57.4)	(38.6)	(107.9)	(18.3)
Adjusted loss margin (non-IFRS measure) (%) <sup>(1)</sup>	(24.5)	(9.6)	(10.5)	(7.6)
Current ratio <sup>(2)</sup>	2.8	3.7	3.0	2.5

Notes:

(1) Calculated using the adjusted losses (Non-IFRS measure) divided by revenues for a given period.

(2) Current ratio represents current assets as of a record date divided by current liabilities as of the same date.

Our current ratio was maintained comfortably and consistently above 1.0 level to secure a safe and healthy liquidity.

## FINANCIAL INFORMATION

### MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, we had the following transactions with the following related parties that had material transaction amounts or balances with us.

#### Related Party Transactions

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
	<i>(unaudited)</i>				
	<i>(RMB in thousands)</i>				
<b>Sales of products</b>					
Associate <sup>(1)</sup> .....	363	1,650	671	1,753	437
<b>Rendering of service</b>					
Associate .....	542	574	475	367	—
Controlled by Tencent <sup>(2)</sup> .....	3,388	—	6,843	6,423	133
Entities controlled by same shareholders of us .....	—	—	2,101	—	—
<b>Purchase of technology support services</b>					
Controlled by Tencent .....	1,175	1,466	1,772	1,764	478
<b>Purchase of consulting service</b>					
Medpion Cayman and its subsidiaries <sup>(3)</sup> .....	—	—	1,754	—	1,161
<b>Purchase of payment services</b>					
Controlled by Tencent .....	—	1,759	3,682	1,048	3,253

*Notes:*

- (1) Sinopharm Holdings Smart Pharmacy (Hubei) Co., Ltd (國藥控股思維特大藥房 (湖北) 有限公司)
- (2) Companies controlled by Tencent who is a major shareholder of the company which owned over 20% voting rights of the Company during the Relevant Periods.
- (3) Medpion Cayman and its subsidiaries were voluntarily disclosed as related parties by us since June 23, 2021 with the disposal of subsidiaries of offline clinics services because the shareholding structure Medpion Cayman substantially mirrored the Company's shareholding structure before Series F financing.

## FINANCIAL INFORMATION

### Outstanding Balances With Related Parties

	Nature	As at December 31,			As of June 30, 2022
		2019	2020	2021	
<i>(RMB in thousands)</i>					
<b>Amounts due from related parties:</b>					
<b>Trade and bills receivables</b>					
Associate <sup>(a)</sup>	Trade	—	362	130	—
Controlled by Tencent <sup>(b)</sup>	Trade	—	—	403	58
Medpion Cayman and its subsidiaries <sup>(b)</sup>	Trade	—	—	2,227	—
<b>Other receivables</b>					
Medpion Cayman and its subsidiaries <sup>(c)</sup>	Non-Trade	—	—	4,639	—
<b>Prepayments</b>					
Controlled by Tencent <sup>(d)</sup>	Trade	181	227	267	1,877
		<u>181</u>	<u>589</u>	<u>7,666</u>	<u>1,935</u>
<b>Amounts due to related parties:</b>					
<b>Other payables</b>					
Associate <sup>(e)</sup>	Trade	—	—	(1,232)	(703)
Medpion Cayman and its subsidiaries <sup>(f)</sup>	Non-Trade	—	—	(392)	—
Medpion Cayman and its subsidiaries <sup>(g)</sup>	Trade	—	—	—	(1,161)
<b>Dividends payables</b>					
Beijing Kangnuo Medical Investment Management Co., Ltd. <sup>(h)</sup>	Non-Trade	—	—	(1,254)	—
		<u>—</u>	<u>—</u>	<u>(2,878)</u>	<u>(1,864)</u>

*Notes:*

- (a) The outstanding balances are receivables for the sales of goods and provision of service.
- (b) The outstanding balances are receivables for the provision of service.
- (c) The outstanding balances are receivables for service fee collected by the related party on behalf of the Group before the Exclusion.
- (d) The outstanding balances are receivables for the purchase of cloud servers.
- (e) The outstanding balances are payables for the settlement of price adjustment compensation.
- (f) The outstanding balances are payables for payments by the related parties on our behalf.
- (g) The outstanding balances are payables for the provision of health management service.
- (h) The outstanding balances are dividends declared by Beijing Renbo to its shareholder, Beijing Kangnuo before our acquisition, which remained outstanding as of December 31, 2021. Details of the acquisition are set out in Note 35 of the Accountant's Report as Appendix I to this prospectus.

As of December 31, 2021, we had trade and bills receivables of RMB2.2 million and other receivables of RMB4.6 million due from Medpion Cayman and its subsidiaries, and other payables of RMB0.4 million due to Medpion Cayman and its subsidiaries. These outstanding balances as of December 31, 2021 relating to Medpion Cayman and its subsidiaries were caused by our exclusion of Medpion Cayman and its subsidiaries from our Group during 2021. In process of the Exclusion, we paid employee salaries of RMB2.2 million for Medpion Cayman and its subsidiaries which were recorded as trade and bills receivables. In addition, the RMB4.6 million other receivables represented the service fee collected from a third party by Medpion and its subsidiaries on behalf of the Group before the Exclusion. Our other payables of RMB0.4 million due to Medpion Cayman and its subsidiaries mainly consisted of sporadic payments of employee welfare for those who remain in our Group after Exclusion. All outstanding balances with Medpion Cayman and its subsidiaries (including the trade and bills receivables, other receivables and other payables) as of December 31, 2021 had been subsequently settled, and we do not expect the recurrence of such arrangements as the Exclusion has been completed. For details of the Exclusion, see “History, Reorganization and Corporate Structure—Exclusion of Offline Clinics Business” in this prospectus. As of June 30, 2022, we had other payables of RMB1.2 million due to Medpion Cayman and its subsidiaries for provision of health management service. During the Track Record Period, save for the balances with Medpion Cayman and its subsidiaries due to the Exclusion arrangement, we did not have any expenses or incomes settled or

---

## FINANCIAL INFORMATION

---

collected by any related parties or third parties. None of our operating costs or expenses were borne by any related parties or other third parties without being recharged to us.

It is the view of our Directors that the related party transactions discussed above and set out in Note 40 of the Accountant's Report set out in Appendix I to this prospectus were conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties. Our Directors further confirm that all material related party transactions during the Track Record Period were conducted on an arm's length basis, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

### MARKET RISK DISCLOSURE

We are exposed to a variety of financial risks, including foreign currency risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our Group's financial performance. For more details, see Note 43 to the Accountants' Report in Appendix I to this prospectus. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks.

#### Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from sales or purchases by subsidiaries in currencies other than the subsidiaries' functional currencies. For more details, see Note 43 to the Accountants' Report in Appendix I to this prospectus.

#### Credit Risk

An impairment analysis was performed at December 31, 2019, 2020, 2021 and June 30, 2022 using a provision matrix to measure expected credit losses. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events: (i) significant financial difficulty of the debtor; (ii) a breach of contract such as a default or past due event; and (iii) it is probable that the debtor will enter bankruptcy or other financial reorganization. We have established a policy to perform an assessment, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Management makes periodic collective assessments for financial assets included in prepayments, deposits and other receivables as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. We recognized allowance for financial assets other than trade receivables based on 12-month ECLs and adjusts for forward-looking macroeconomic data. For more details, see Note 43 to the Accountants' Report in Appendix I to this prospectus.

#### Liquidity Risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and lease liabilities. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting its financial obligations. For more details, see Note 43 to the Accountants' Report in Appendix I to this prospectus.

---

## FINANCIAL INFORMATION

---

### DIVIDEND

No dividend (nil) has been paid or declared by our Company during the Track Record Period and up to the Latest Practicable Date. After completion of the Global Offering, our shareholders will be entitled to receive dividends declared by us. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends. The determination of whether to pay a dividend and in which amount is based on our results of operations, cash flow, financial condition, capital requirements and other factors the Board may deem relevant. Any dividend distribution will also be subject to the approval of the Shareholders in the Shareholder's meeting.

Under the PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits less any recovery of accumulated losses and required allocations to statutory and other reserves. Taking into account of the aforesaid, we may not have sufficient or any distributable profits to make dividend distributions to Shareholders in a given year, even if we become profitable, as we will only be able to declare or pay dividends out of our distributable profits until (i) the accumulated losses are covered by our after-tax profits and (ii) sufficient statutory and other reserves are drawn in accordance with the relevant laws, regulations and the constitutional documents of our PRC operating subsidiaries.

### DISTRIBUTABLE RESERVES

As of June 30, 2022, we did not have any distributable reserves.

### LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB58.0 million (HK\$64.0 million) (including underwriting commissions), at the Offer Price of HK\$18.60 per Share, and assuming the Over-allotment Option is not exercised, representing approximately 34.7% of the gross proceeds of the Global Offering, comprising (i) underwriting-related expenses, including underwriting commission and other expenses, of RMB10.3 million; and (ii) non-underwriting-related expenses of RMB47.7 million, including (a) fees and expenses of Legal Advisors and Reporting Accountants of RMB34.1 million; and (b) other fees and expenses, of RMB13.6 million. As of June 30, 2022, we incurred a total of RMB41.5 million (HK\$45.9 million) in listing expenses, among which RMB40.9 million (HK\$45.2 million) were recognized in our consolidated statement of profit or loss and other comprehensive loss, and RMB0.6 million (HK\$0.7 million) were deducted from equity.

We estimate that additional listing expenses of approximately RMB16.5 million (HK\$18.1 million) (including underwriting commissions, incentives and other transaction fees of approximately RMB7.5 million (HK\$8.2 million), assuming the Over-allotment Option is not exercised and based on the Offer Price of HK\$18.60 per Offer Share) will be incurred by our Company, approximately RMB9.0 million (HK\$9.9 million) of which is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately RMB7.5 million (HK\$8.2 million) of which is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses directly attributable to the issue of shares will be deducted from equity. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of our Group prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock



## FINANCIAL INFORMATION

Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the parent as if the Global Offering had taken place on June 30, 2022.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group to owners of the parent had the Global Offering been completed as of June 30, 2022 or as of any future dates.

	Audited consolidated net tangible liabilities of our Group attributable to owners of the Company as of June 30, 2022 <sup>(1)</sup>	Estimated net Proceeds from the Global Offering <sup>(2)</sup>	Estimated impact to the consolidated net tangible liabilities upon the conversion of convertible redeemable preferred shares <sup>(3)</sup>	Unaudited pro forma adjusted consolidated net tangible assets as of June 30, 2022	Unaudited pro forma adjusted consolidated net tangible assets per Share as of June 30, 2022	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB<sup>(4)</sup></u>	<u>HK\$<sup>(5)</sup></u>
Based on an Offer Price of HK\$18.60 per Share . . . . .	(6,195,636)	149,835	7,914,398	1,868,597	2.44	2.70

*Notes:*

- (1) Our consolidated net tangible assets attributable to our equity holders as of June 30, 2022 was equal to the audited net liabilities attributable to our owners as of June 30, 2022 of RMB(6,062,083,000) after deducting other intangible assets attributable to our owners of RMB53,730,000 and goodwill of RMB79,823,000 as set out in the Appendix I to this Prospectus. The intangible assets attributable to owners of the Company as of June 30, 2022 had excluded other intangible assets of RMB6,325,000 attributable to non-controlling shareholders from total other intangible assets of the Group.
- (2) The estimated net proceeds from the Global Offering are based on an estimated offer price of HK\$18.60 per Share after deduction of the underwriting fees and other related expenses (excluding listing expense of RMB40,897,000 which has been accounted for in our consolidated statements of profit or loss prior to June 30, 2022) payable by us and do not take into account any share which may be sold and offered upon exercise of the Over-allotment Option.
- (3) Upon the Listing and the completion of the Global Offering, all convertible redeemable preferred shares will be automatically converted into Ordinary Shares. The convertible redeemable preferred shares will then be transferred from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible liabilities attributable to owners of the parent will be decreased by RMB7,914,398,000, being the carrying amounts of the convertible redeemable preferred shares as of June 30, 2022.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to our owners per Share is arrived at after adjustments referred in note 2 above and on the basis of 765,694,090 Shares are in issue, assuming that the Global Offering has been completed on June 30, 2022 but does not take into account any Shares (i) which may be issued and allotted pursuant to the exercise of the Over-allotment Option or (ii) which may be repurchased by us subsequent to June 30, 2022 or (iii) which may be issued and allotted to certain special purpose vehicles in order to facilitate the administration of employee incentive plans subsequent to June 30, 2022.
- (5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in RMB are converted into HK\$ at the rate of RMB1.0000 to HK\$1.1055.
- (6) The unaudited pro forma adjusted consolidated net tangible assets per Share as at June 30, 2022 would then be further adjusted to RMB2.45 or HK\$2.71 (based on the estimated offer price of HK\$18.60), assuming that the repurchase of 2,668,776 ordinary shares by the Company in October 2022 (details are set out in note 44 to the Accountants' Report in Appendix I to this Prospectus) had been completed as at June 30, 2022 and do not take into account any share (i) which may be issued and allotted pursuant to the exercise of the Over-allotment Option or (ii) which may be issued and allotted to certain special purpose vehicles in order to facilitate the administration of employee incentive plans subsequent to June 30, 2022.
- (7) Except as disclosed above, no adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2022.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this prospectus, other than as disclosed under “Recent Developments” in the “Summary” section in this prospectus, there had been no material adverse change in our financial, operational or prospects since June 30, 2022, being the latest balance sheet

---

## FINANCIAL INFORMATION

---

date of our consolidated financial statements as set out in the Accountant's Report included in Appendix I to this prospectus.

### **DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES**

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

---

## FUTURE PLANS AND USE OF PROCEEDS

---

### FUTURE PLANS

See “Business—Our Strategies” in this prospectus for a detailed description of our future plans.

### USE OF PROCEEDS

Assuming an Offer Price of HK\$18.60 per Share, we estimate that we will receive net proceeds of approximately HK\$120.4 million from the Global Offering after deducting the underwriting commissions and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. We will adjust the use of proceeds on a pro rata basis in the event that the Over-allotment Option is exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 87% of the net proceeds, or approximately HK\$104.8 million, is expected to be used for business expansion, including:
  - approximately 35% of the net proceeds, or approximately HK\$42.2 million, for further expansion of our Specialty Pharmacy Business in response to the growing specialty medicine market in China. According to CIC, the specialty medicine market in China increased from RMB147.0 billion in 2015 to RMB304.8 billion in 2021 at a CAGR of 12.9% and is expected to further reach RMB1,286.5 billion in 2030, at a CAGR of 17.4% from 2021 to 2030. For details of our strategies for expansion of Specialty Pharmacy Business, see “Business—Our Strategies—Grow Specialty Pharmacy Business Service with Investment in Geographic Expansion, and Talent Recruitment and Retention” in this prospectus. We plan to establish a nation-wide specialty pharmacy network by expanding to cities such as Yangzhou, Shaoxing, and Quanzhou in the Eastern China; Luoyang, Xiangtan and Jiujiang in the Middle China; Mianyang, Panzhihua and Zunyi in the Western China, and Qiqihar, Tieling and Jiamusi in the Northeast China. To achieve this goal, we plan to open up a total of 25 specialty pharmacy stores from the fourth quarter of 2022 to 2024.
  - approximately 28% of the net proceeds, or approximately HK\$33.7 million, for further expansion of our Physician Research Assistance business in response to the increasing market demand for SMO services. According to CIC, the SMO market in China increased from RMB1.1 billion in 2015 to RMB6.9 billion in 2021 at a CAGR of 35.3% and is expected to further reach RMB35.0 billion in 2030 at a CAGR of 19.8% from 2021 to 2030. We aim to expand our site coverage to approximately 20 new cities by 2024 so to reinforce our leading position in SMO services and extend our site management service to disease areas such as autoimmune diseases, cardiovascular diseases and central nervous system diseases. To implement our expansion plan, we will continuously recruit, retain and provide professional internal training to high-quality talents in project management, clinical research coordination and quality assurance. For these positions, we require skilled employees with at least one to three years of industry-related working experience. We aim to add over 200 professionals in our clinical trial service execution team by 2024, each of whom on average is expected to cost us about RMB100,000 per year. These additional professionals are expected to be mostly clinical research coordinators and project managers to accommodate the growing demand of our on-going and future SMO projects. For details of our strategies for expansion of Physician Research Assistance business, see “Business—Our Strategies—Expand Geographically and Increase Service Offerings in Physician Research Assistance Business” in this prospectus.

---

## FUTURE PLANS AND USE OF PROCEEDS

---

- approximately 24% of the net proceeds, or approximately HK\$28.9 million, for further expansion of our Health Insurance Services business. According to CIC, the market size of commercial health insurance in China increased from RMB241.0 billion in 2015 to RMB880.4 billion in 2021, at a CAGR of 24.1%, and is expected to further reach RMB2,029.6 billion in 2025 at a CAGR of 23.2% from 2021 to 2025, and RMB3,873.1 billion in 2030 at a CAGR of 13.8% from 2025 to 2030. For details of our strategies for expansion of Health Insurance Services business, see “Business—Our Strategies—Expand Health Insurance Services by Growing Health Service Provider Network and Offering Innovative Insurance Products Adaptive to Market Changes” in this prospectus. We plan to add (1) approximately 10 medical experts and data scientists by 2024, each of whom on average is expected to cost about RMB400,000 in salary per year; and (2) approximately 60 professionals in product design and operation by 2024, each of whom on average is expected to cost about RMB250,000 in salary per year; and
- approximately 13% of the net proceeds, or approximately HK\$15.6 million, is expected to be used for our technology research and development as well as technology infrastructure enhancement. To complement our symbiotic ecosystem strategy, it is important for us to further invest in research and development to improve our technology infrastructure, systems and applications, which enables us to realize the value of data we accumulated from historical operation, improve our data management and create synergy effect of our growing business lines.
- approximately 10%, or approximately HK\$12.0 million, will be used to grow the team size and improve the capability of our system/application development team. We plan to recruit approximately 30 software engineers, project managers and maintenance personnels from 2023 to 2024 to optimize our proprietary pharmacy management system, nationwide patient management system, and automatic purchase system and to further enhance the efficiency and effectiveness of our operations.
- approximately 3%, or approximately HK\$3.6 million, will be used to further invest in research and development of improving our technology infrastructure and new solutions. In particular, we plan to focus on (1) development and maintenance of the data source system, data insight analysis techniques and big data; (2) development and application of artificial intelligence technology; and (3) the upgrade of our management systems and automatic purchase system by improving the speed of the systems, expanding the storage space, upgrading servers, extend applications and daily maintenance. For details, see “Business—Our Strategies—Strengthen Our Technology Infrastructure and Data Insights” in this prospectus.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will apply the temporarily unused net proceeds in short-term deposits with licensed banks and/or authorized financial institutions (as defined under the Securities and Futures Ordinance and/or relevant laws in the PRC) to avoid investment risks to the net proceeds. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

---

## UNDERWRITING

---

### HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited  
Haitong International Securities Company Limited  
Futu Securities International (Hong Kong) Limited  
Maxa Capital Limited  
I Win Securities Limited

### UNDERWRITING ARRANGEMENTS

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

The Hong Kong Underwriting Agreement was entered into on December 8, 2022. Pursuant to the Hong Kong Underwriting Agreement, we are offering 992,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the **GREEN** Application Form at the Offer Price.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares that may be issued under the Over-allotment Option and any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme), and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe, or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for Termination*

The Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Capital Market Intermediaries and the Hong Kong Underwriters) shall in their sole and absolute discretion be entitled to terminate the Hong Kong Underwriting Agreement, by giving notice in writing to the Company, with immediate effect, if prior to 8:00 a.m. on the Listing Date:

- (A) there develops, occurs, exists or comes into force:
- (a) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the Cayman Islands, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a “**Relevant Jurisdiction**”); or
  - (b) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, inter-bank markets and credit markets) in or affecting any Relevant Jurisdiction; or

---

## UNDERWRITING

---

- (c) any local, national, regional or international event or series of events, whether in continuation, or circumstances in the nature of force majeure (including, without limitation, acts of government, labor disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war (whether declared or undeclared), acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, destruction of power plant, outbreak, escalation, mutation or aggravation of diseases, pandemics or epidemics including, but not limited to, COVID-19, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) and such related/mutated forms, economic sanction, outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or
- (d) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NYSE Amex, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
- (e) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent governmental authority), New York (imposed at Federal or New York State level or other competent governmental authority), London, Singapore, the PRC, the European Union (or any member thereof), Japan or any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- (f) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a change of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars), or (B) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (g) any change or development involving a prospective change which has the effect of materialization of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (h) any contravention by the Company, any member of the Group, any Director or any member of the Warranting Shareholders (as defined in the Hong Kong Underwriting Agreement) of any applicable laws; or
- (i) any of the executive Directors or the chief executive officer of the Company vacating his or her office; or
- (j) any litigation or claim being threatened or instigated against, or any governmental authority or any regulatory body or organization in any Relevant Jurisdiction commencing any investigation, action or proceedings, or announcing an intention to investigate or take other action or proceedings, against the Company, any member of the Group, any Director or any member of the Warranting Shareholders (as defined in the Hong Kong Underwriting Agreement); or

---

## UNDERWRITING

---

- (k) any order or petition for, or any demand by creditors for repayment of indebtedness or a petition being presented for the winding-up or liquidation of any member of the Group, or any member of the Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (l) a prohibition on the Company for whatever reason from allotting, issuing or selling the Shares (including the shares to be issued upon exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (m) the issue or requirement to issue by the Company of a supplemental or amendment to this prospectus, the **GREEN** Application Form or offering circular or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC; or
- (n) the imposition of sanctions, in whatever form, directly or indirectly, by, or for, the United States, the United Nation, the European Union (or any member thereof), the PRC or any other Relevant Jurisdiction on the Company or any member of the Group,

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Capital Market Intermediaries and the Hong Kong Underwriters): (A) has or will have or is likely to have material adverse effect or any development involving a prospective material adverse effect, on the assets, liabilities, general affairs, business, management, performance, shareholders' equity, profit, losses, position or condition (financial or otherwise), results of operations, or prospects of the Group, taken as a whole; or (B) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make it or is likely to make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the International Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the GREEN Application Form, the formal notice or the offering circular issued in connection with the Global Offering; or (D) would have or is likely to have the effect of making a material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (B) there has come to the notice of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Capital Market Intermediaries and Hong Kong Underwriters):
  - (a) that any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement) was or has become untrue, incomplete, incorrect in any material respect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Offering Documents so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

---

## UNDERWRITING

---

- (b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in the Offering Documents (as defined in the Hong Kong Underwriting Agreement), constitutes a material omission therefrom; or
- (c) any material non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or
- (d) either (i) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company and the Warranting Shareholders (as defined in the Hong Kong Underwriting Agreement) or (ii) any of the representations, warranties and undertakings given by the Company and the Warranting Shareholders in the Hong Kong Underwriting Agreement is (or would when repeated be) untrue, incorrect, incomplete or misleading; or
- (e) any event, act or omission which gives or is likely to give rise to any liability of the Company and the Warranting Shareholders (as defined in the Hong Kong Underwriting Agreement) pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement; or
- (f) any breach of any of the obligations of the Company and the Warranting Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (g) a material portion of the orders placed or confirmed, or a material portion of investment commitments by any institutional investors, in the book-building process, have been withdrawn, terminated or canceled; or
- (h) any expert (other than the Joint Sponsors), whose consent is required for the issue of this prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent prior to the issue of this prospectus; or
- (i) any event which has a material adverse effect or any development involving a prospective material adverse effect, on the assets, liabilities, general affairs, business, management, performance, shareholders' equity, profit, losses, position or condition (financial or otherwise), results of operations, or prospects of the Group, taken as a whole; or
- (j) the Company has withdrawn the Offering Documents (as defined in the Hong Kong Underwriting Agreement) or the Global Offering,

then the Joint Sponsors and the Overall Coordinators may (for themselves and on behalf of the Capital Market Intermediaries and the Hong Kong Underwriters), in their sole and absolute discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

### ***Undertakings to the Stock Exchange pursuant to the Listing Rules***

#### ***Undertakings by our Company***

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities of our Company (whether or



---

## UNDERWRITING

---

not of a class already listed) or form the subject of any agreement to such issue within six months from date on which our Shares first commence dealing on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

### *Undertakings pursuant to the Hong Kong Underwriting Agreement*

#### *(A) Undertakings by our Company*

Our Company has undertaken to the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and each of them not to (except pursuant to the Global Offering, including pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the Share Schemes), without the prior written consent of the Overall Coordinators (for themselves and on behalf of the Capital Market Intermediaries and the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on, and including, the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the “**First Six-Month Period**”):

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represents the right to receive, or any warrants or other rights to purchase any share capital or other securities of the Company, as applicable), or deposit any share capital or other securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of the Shares or any other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of the Company); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the

---

## UNDERWRITING

---

event that, during the six-month period immediately following the First Six-Month Period (the “**Second Six-Month Period**”), our Company enters into any such transactions or offers or agrees or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions, our Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company in breach of the Listing Rules, the SFO or other applicable laws.

*(B) Undertaking by the Single Largest Group of Shareholders*

Each of our Founders, Lucky Seven, Simul International Holdings Limited, Spire-succession Limited, Shining-succession Limited and the Employee Incentive Platforms (collectively the “**Single Largest Group of Shareholders**”) agrees and has undertaken to the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that at any time during the First Six Month Period, without the prior written consent of the Overall Coordinators (for themselves and on behalf of the Capital Market Intermediaries and the Hong Kong Underwriters) and except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Stock Borrowing Agreement), each of the Single Largest Group of Shareholders will not, and will procure that none of its affiliates will:

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of such share capital or securities or any interest therein, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company); or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any such transaction described above is to be settled by delivery of such Shares or other securities of the Company, in cash or otherwise.

### **Undertakings by our other existing Shareholders**

All existing Shareholders and the Employee Shareholding Platforms has each undertaken to the Company, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that it will not, and will cause its respective affiliates not to, dispose of

---

## UNDERWRITING

---

the Relevant Shares for the First Six-Month Period, save for certain special circumstances as agreed among the parties.

For the purpose of the above undertaking, “Relevant Shares” means the Shares as reclassified, redesignated and subdivided from the Shares as held by them on the date of this prospectus in the manner as set out in this prospectus as if the reclassification, redesignation and subdivision has been completed on the date of this prospectus;

“dispose of” means:

- (A) offer, pledge, charge, sell, mortgage, lend, create, transfer, assign or otherwise dispose, grant any option, warrant or right to purchase, sell, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or create any third party right of whatever nature over any Relevant Shares or any other securities convertible into or exercisable or exchangeable for such Relevant Shares, or that represent the right to receive, such Relevant Shares, or any interest in them; or
- (B) enter into any option, swap or other arrangement that transfers to another, in whole or in part, any beneficial ownership of the Relevant Shares or any of the economic consequences or incidents of ownership of Relevant Shares or any interest therein or which transfers or derives any significant part of its value from such Relevant Shares; or
- (C) enter into any transaction, directly or indirectly, with the same economic effect as any transaction specified in paragraph (A) or (B) above; or
- (D) agree, contract to effect or publicly disclose any transaction specified in paragraph (A), (B) or (C) above, in each case, whether any of the transactions specified in paragraph (A), (B) or (C) above is to be settled by delivery of Relevant Shares or such other securities convertible into or exercisable or exchangeable for the Relevant Shares of the Company or in cash or otherwise (whether or not the issue of Relevant Shares or such other securities will be completed within the aforesaid period).

### **Indemnity**

We have agreed to indemnify the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses incurred arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

### **Commission and Expenses and Joint Sponsors’ Fee**

The Hong Kong Underwriters and the Capital Market Intermediaries will receive an underwriting commission of 3.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares offered under the Hong Kong Public Offering (excluding any Hong Kong Offer Shares reallocated to the International Offering), and the International Underwriters and the Capital Market Intermediaries are expected to receive an underwriting commission of 3.5% of the aggregate Offer Price payable for the International Offer Shares offered under the International Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering and International Offer Shares reallocated to the Hong Kong Public Offering, if any, the Company will pay an underwriting commission at the rate applicable to the International Offering as set out in the International Underwriting Agreement, and such commission will be paid to the Overall Coordinators (for themselves and on behalf of the Capital Market Intermediaries and the International Underwriters), and no underwriting commission will be paid to the Hong Kong Underwriters for such reallocated Offer Shares. In addition, at the discretion of

---

## UNDERWRITING

---

our Company, the Underwriters and the Capital Market Intermediaries may also receive an incentive fee of 1.0% of the aggregate Offer Price in respect of all Offer Shares (the “**Incentive Fee**”).

For the purpose of the Listing Rules, assuming the Incentive Fee is paid in full to the Underwriters and the Capital Market Intermediaries the Over-allotment Option is not exercised and based on an Offer Price of HK\$18.60, the ratio of the fixed fees and discretionary fees payable to all Underwriters and the Capital Market Intermediaries is approximately 61.4:38.6. Assuming the Incentive Fee is not paid at all and the Over-allotment Option is not exercised and based on an Offer Price of HK\$18.60, the ratio of the fixed fees and discretionary fees payable to all Underwriters and the Capital Market Intermediaries is approximately 78.9:21.1.

Assuming the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full, the aggregate commissions and fees, together with the Stock Exchange listing fees, the Stock Exchange trading fee of 0.005% per Offer Share, SFC transaction levy of 0.0027% per Offer Share, AFRC transaction levy of 0.00015% per Offer Share, legal and other professional fees and printing and other expenses relating to the Global Offering, payable by us, are estimated to be approximately HK\$65.3 million, which is subject to adjustment to be agreed by the Company, the Overall Coordinators and other parties.

An amount of US\$500,000 is payable by the Company as sponsor fees to each Joint Sponsor.

### **Hong Kong Underwriters’ Interests in our Company**

Save for the obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding or beneficial interests in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

### **The International Offering**

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the Overall Coordinators (on behalf of the Capital Market Intermediaries and the International Underwriters). Under the International Underwriting Agreement and subject to the Over-allotment Option, it is expected that the International Underwriters would, subject to certain conditions set out therein, severally but not jointly, agree to procure purchasers for, or to purchase, the International Offer Shares being offered pursuant to the International Offering or procure purchasers for their respective applicable proportions of International Offer Shares. In respect of the International Offering, we expect to pay an underwriting commission of 3.5% of the aggregate Offer Price payable in respect of all International Offer Shares (including any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering). Please refer to “Structure of the Global Offering—The International Offering” for details.

### **Over-allotment Option**

The Company expect to grant to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the Capital Market Intermediaries and the International Underwriters), the Over-allotment Option, which will be exercisable from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, being Saturday, January 14, 2023, to issue up to 1,487,800 Shares by the Company, representing approximately 15.0% of the initial Offer Shares, at the Offer Price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any.

---

## UNDERWRITING

---

### RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in mainland China or the United States.

### ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group’s loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

---

## UNDERWRITING

---

Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

---

## STRUCTURE OF THE GLOBAL OFFERING

---

### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

9,919,400 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 992,000 Shares (subject to reallocation) in Hong Kong as described in the sub-section “The Hong Kong Public Offering” in this section below; and
- (b) the International Offering of initially 8,927,400 Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in “—The International Offering” in this section.

Investors may either:

- (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 1.30% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 1.49% of the total Shares in issue immediately following the completion of the Global Offering.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares initially offered

Our Company is initially offering 992,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.13% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

---

## STRUCTURE OF THE GLOBAL OFFERING

---

Completion of the Hong Kong Public Offering is subject to the conditions set out in “—Conditions of the Global Offering” in this section.

### **Allocation**

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B (with any odd lot being allocated to pool A). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor. Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 496,000 Hong Kong Offer Shares is liable to be rejected.

### **Reallocation**

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the International Offering is fully subscribed or oversubscribed:

- (i) if the Hong Kong Offer Shares are undersubscribed, the Overall Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate;
- (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Hong Kong Offer Shares will be 992,000 Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering; or



---

## STRUCTURE OF THE GLOBAL OFFERING

---

- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 2,976,000 Offer Shares (in the case of (a)), 3,967,800 Offer Shares (in the case of (b)) and 4,959,800 Offer Shares (in the case of (c)), representing approximately 30%, approximately 40% and approximately 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate.

If the International Offering is undersubscribed:

- (i) if the Hong Kong Public Offering is also undersubscribed, the Global Offering will not proceed unless it is fully underwritten by the Underwriters; or
- (ii) if the Hong Kong Public Offering is fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 992,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 1,984,000 Offer Shares, representing approximately 20% of the total number of Offer Shares initially available under the Global Offering.

In addition, the Overall Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with the Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such allocation is done other than pursuant to the clawback mechanism above, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 1,984,000 Offer Shares, representing approximately 20% of the total number of Offer Shares initially available under the Global Offering).

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the sole discretion of the Overall Coordinators.

### **Applications**

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK\$18.60 per Offer Share in addition to the brokerage, the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share, amounting to a total of

---

## STRUCTURE OF THE GLOBAL OFFERING

---

HK\$3,757.50 for one board lot of 200 Shares. Further details are set out in “How to Apply for Hong Kong Offer Shares” in this prospectus.

### THE INTERNATIONAL OFFERING

#### Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 8,927,400 Shares, representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 1.17% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

#### Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “—Pricing and Allocation” in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Group and the Shareholders as a whole.

The Overall Coordinators (on behalf of the Capital Market Intermediaries and the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

#### Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the sub-section “The Hong Kong Public Offering—Reallocation” in this section above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

### OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the Capital Market Intermediaries and the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Overall Coordinators (on behalf of the Capital Market Intermediaries and the International

---

## STRUCTURE OF THE GLOBAL OFFERING

---

Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, being Saturday, January 14, 2023, to require our Company to issue up to an aggregate of 1,487,800 additional Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 0.19% of the total Shares in issue immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Capital Market Intermediaries and the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of our Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering, being Saturday, January 14, 2023.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- (c) liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- (d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Saturday, January 14, 2023, being the 30th day after the last day for lodging applications under the Hong

---

## STRUCTURE OF THE GLOBAL OFFERING

---

Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- (e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

### **Over-Allocation**

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price.

### **PRICING AND ALLOCATION**

The Offer Price will be HK\$18.60 per Offer Share unless to be otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The International Underwriters will be soliciting from prospective investors their indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Overall Coordinators (on behalf of the Capital Market Intermediaries and the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at [www.medbankshealthtech.com](http://www.medbankshealthtech.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the revised offer price will be final and conclusive. The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for the Hong Kong Offer Shares to positively confirm their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price. Upon the issue of such a notice and supplemental prospectus, the revised number of Offer Shares and/or the revised offer price will be final and conclusive. If the number of

---

## STRUCTURE OF THE GLOBAL OFFERING

---

Offer Shares and/or the Offer Price is so reduced, all applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price will under no circumstances be set below the Offer Price as stated in this prospectus.

The level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares—Publication of Results” in this prospectus.

### STOCK BORROWING AGREEMENT

To cover any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may choose to borrow up to 1,487,800 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Lucky Seven pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager (or its affiliates or any person acting for it) and Lucky Seven on or about Thursday, December 15, 2022. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- (a) such stock borrowing arrangement with Lucky Seven will only be effected by the Stabilizing Manager for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-allotment Option;
- (b) the maximum number of Shares borrowed from Lucky Seven under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option;
- (c) the same number of Shares so borrowed must be returned to Lucky Seven or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised and (ii) the day on which the Over-allotment Option is exercised in full, or such time as may be otherwise agreed by the parties;
- (d) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- (e) no payment will be made to Lucky Seven by the Stabilizing Manager or its authorized agents in relation to such stock borrowing arrangement.

### UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

---

## STRUCTURE OF THE GLOBAL OFFERING

---

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around Thursday, December 15, 2022.

These underwriting arrangements, including the Underwriting Agreements, are summarized in “Underwriting” in this prospectus.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;
- (b) the execution and delivery of the International Underwriting Agreement; and
- (c) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at [www.medbankshealthtech.com](http://www.medbankshealthtech.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares—Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Friday, December 23, 2022, provided that the Global Offering has become unconditional in all respects at or before that time.

### DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, December 23, 2022, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, December 23, 2022.

The Shares will be traded in board lots of 200 Shares each and the stock code of the Shares is 0314.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

### IMPORTANT NOTICE TO INVESTORS:

#### FULLY ELECTRONIC APPLICATION PROCESS

**Our Company has adopted a fully electronic application process for the Hong Kong Public Offering. Our Company will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.**

This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “*HKEXnews > New Listings > New Listing Information*” section, and our Company’s website at [www.medbankshealthtech.com](http://www.medbankshealthtech.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the Prospectus are identical to the printed Prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. Our Company will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

### A. APPLICATIONS FOR THE HONG KONG OFFER SHARES

#### 1. How to Apply

**Our Company will not provide any printed application forms for use by the public.**

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)) or at [www.hkeipo.hk](http://www.hkeipo.hk); or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
  - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Overall Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

### 2. Who Can Apply

#### *Eligibility for the Application*

You can apply for the Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If you are a firm, the application must be in the individual members' names.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a substantial shareholder of any of our Company's subsidiaries;
- you are our Company's director or chief executive and/or a director or chief executive officer of its subsidiaries;
- you are a close associate of any of the above persons;
- you are a core connected person of our Company or a person who will become a core connected person of our Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

#### *Items Required for the Application*

If you apply for the Hong Kong Offer Shares online through the **HK eIPO White Form** service, you must:

- have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number / certificate of incorporation number (for body corporate applicant);
- have a Hong Kong address; and
- provide a valid e-mail address and a contact telephone number.



---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

### 3. Terms and Conditions of an Application

By applying through the application channels specified in this prospectus, you:

- undertake to execute all relevant documents and instruct and authorize our Company and/or the Overall Coordinators (or their agents or nominees), as their agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with our Company's Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Act;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus, and agree to be bound by them;
- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- agree that none of our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (collectively, the "**Relevant Persons**") and the **HK eIPO White Form** Service Provider is or will be liable for any information and representations not contained in this prospectus (and any supplement to this prospectus);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- agree to disclose to our Company, the Hong Kong Share Registrar, the receiving banks, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Underwriters and/or any of the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;
- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries and the Underwriters nor any of the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus;
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;
- represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- warrant that the information you have provided is true and accurate;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- authorize (i) our Company to place your name(s) or the name of HKSCC Nominees on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under our Company's Memorandum and Articles of Association and (ii) our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund check(s) to you or the first- named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "—Personal Collection" below to collect the Share certificate(s) and/or refund check(s) in person;
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- understand that our Company, our Directors and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **HK eIPO White Form** service or by any one as your agent or by any other person; and
- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

### 4. Minimum Application Amount and Permitted Numbers

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$
200	3,757.50	3,000	56,362.38	40,000	751,498.41	180,000	3,381,742.82
400	7,514.98	4,000	75,149.84	50,000	939,373.01	200,000	3,757,492.02
600	11,272.48	5,000	93,937.30	60,000	1,127,247.60	250,000	4,696,865.03
800	15,029.96	6,000	112,724.76	70,000	1,315,122.20	300,000	5,636,238.03
1,000	18,787.46	7,000	131,512.23	80,000	1,502,996.81	350,000	6,575,611.04
1,200	22,544.95	8,000	150,299.68	90,000	1,690,871.41	400,000	7,514,984.04
1,400	26,302.44	9,000	169,087.14	100,000	1,878,746.01	450,000	8,454,357.05
1,600	30,059.93	10,000	187,874.60	120,000	2,254,495.21	496,000 <sup>(1)</sup>	9,318,580.21
1,800	33,817.42	20,000	375,749.20	140,000	2,630,244.42		
2,000	37,574.92	30,000	563,623.81	160,000	3,005,993.61		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### 5. Applying Through the HK eIPO White Form Service

#### *General*

Applicants who meet the criteria in “—Who Can Apply” above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the **IPO App** or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are set out in the **IPO App** and on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

#### *Time for Submitting Applications under the HK eIPO White Form Service*

You may submit your application through the **HK eIPO White Form** service in the **IPO App** or on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last day for applications) from 9:00 a.m. on Monday, December 12, 2022 until 11:30 a.m. on Thursday, December 15, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, December 15, 2022, the last day for applications, or such later time as described in “C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” below.

### 6. Applying Through The CCASS EIPO Service

#### *General*

You may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these electronic application instructions through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, and the Hong Kong Share Registrar.

### *Applying through the CCASS EIPO Service*

Where you have applied through the **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

- HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and
- HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
  - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
  - confirm that you understand that our Company, our directors and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
  - authorize our Company to place HKSCC Nominees' name on its register of members as the holder of the Hong Kong Offer Shares allocated to you, and despatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;
- agree that none of our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Underwriters and any of the Relevant Persons is or will be liable for any information and representations not contained in this prospectus (and any supplement to this prospectus);
- agree to disclose to our Company, the Hong Kong Share Registrar, the receiving banks, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Underwriters and/or any of the Relevant Persons any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company, and to become binding when you give the instructions and such collateral contract to be in consideration of our Company's agreement that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the results of the Hong Kong Public Offering;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on behalf of each shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with its Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Act; and

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

### *Effect of Applying through the CCASS EIPO Service*

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

### *Time for Inputting Electronic Application Instructions<sup>(1)</sup>*

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

**Monday, December 12, 2022 – 9:00 a.m. to 8:30 p.m.**  
**Tuesday, December 13, 2022 - 8:00 a.m. to 8:30 p.m.**  
**Wednesday, December 14, 2022 - 8:00 a.m. to 8:30 p.m.**  
**Thursday, December 15, 2022 - 8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, December 12, 2022 until 12:00 noon on Thursday, December 15, 2022 (24 hours daily, except on Thursday, December 15, 2022, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, December 15, 2022, the last day for applications, or such later time as described in “C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” below.

*Note:*

(1) The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

### *No Multiple Applications*

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### ***Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance***

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### ***Personal Data***

The following Personal Information Collection Statement applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banks, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Underwriters and any of the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

### ***Personal Information Collection Statement***

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of our Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

### ***Reasons for the collection of your personal data***

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to our Company or our agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

### *Purposes*

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Company's Register of Members;
- verifying identities of the holders of our Company's Shares;
- establishing benefit entitlements of holders of our Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and profiles of the holder of our Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge their obligations to holders of our Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

### *Transfer of personal data*

Personal data held by our Company and the Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but our Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

### *Retention of personal data*

Our Company and its Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.



---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

### *Access to and correction of personal data*

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company, at our Company's registered address disclosed in "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or our Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

### **7. Warning for Electronic Applications**

The application for the Hong Kong Offer Shares by the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. Our Company, our Group, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Underwriters, the Relevant Persons and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through the **CCASS EIPO** service or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12 noon on Thursday, December 15, 2022.

### **8. How Many Applications Can You Make**

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked "For Nominees", you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

**All** of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf. If you are suspected of submitting more than one application for your benefit through the **CCASS EIPO** service and/or the **HK eIPO White Form** service, all of your applications are liable to be rejected.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple / Suspected Multiple Applications (“**Best Practice Note**”) issued by the Federation of Share Registrars Limited.

With regard to the announcement of results of allocations under “—D. Publication of Results” in this section, the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If an unlisted company makes an application and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### **B. HOW MUCH ARE THE HONG KONG OFFER SHARES**

The Offer Price is HK\$18.60 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and AFRC transaction levy of 0.00015%. This means that for one board lot of 200 Hong Kong Offer Shares, you will pay HK\$3,757.50.

You must pay the Offer Price, together with brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy, in full upon application for the Hong Kong Offer Shares.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 200 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 200 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in “—4. Minimum Application Amount and Permitted Numbers” in this section, or as otherwise specified in the **IPO App** or on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC, and in the case of the AFRC transaction levy, collected by the Hong Kong Exchanges and Clearing Limited on behalf of the AFRC).

For further details on the Offer Price, see “Structure of the Global Offering—Pricing and Allocation.”

### C. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 15, 2022. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, December 15, 2022 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” our Company will make an announcement on its website at [www.medbankshealthtech.com](http://www.medbankshealthtech.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

### D. PUBLICATION OF RESULTS

Our Company expects to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Thursday, December 22, 2022 on its website at [www.medbankshealthtech.com](http://www.medbankshealthtech.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on our Company’s website and the website of the Stock Exchange at [www.medbankshealthtech.com](http://www.medbankshealthtech.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, by no later than Thursday, December 22, 2022;
- from the “IPO Results” function in the **IPO App** and the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) with a “search by ID function”

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

on a 24 hour basis from 8:00 a.m. on Thursday, December 22, 2022 to 12:00 midnight on Wednesday, December 28, 2022; and

- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, December 22, 2022 to Thursday, December 29, 2022 (exclude Saturday, Sunday and public holiday in Hong Kong).

If our Company accepts your offer to purchase (in whole or in part), which our Company may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### **E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE HONG KONG OFFER SHARES**

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

#### ***If your application is revoked:***

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person’s responsibility for this prospectus; or
- if any supplement to this prospectus is issued, in which case our Company will notify applicants who have already submitted an application that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

***If our Company or our agents exercise their discretion to reject your application:***

Our Company, the Overall Coordinators, the **HK eIPO White Form** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

***If the allotment of Hong Kong Offer Shares is void:***

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

***If:***

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Hong Kong Offer Shares and the International Offer Shares;
- your payment is not made correctly;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk);
- you apply for more than 496,000 Hong Kong Offer Shares, being 50% of the 992,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- our Company or the Overall Coordinators believe that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or
- the Underwriting Agreements do not become unconditional or are terminated.

### **F. REFUND OF APPLICATION MONIES**

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy, will be refunded, without interest.

Any refund of your application monies will be made on or around Thursday, December 22, 2022.

### **G. DESPATCH/COLLECTION OF SHARE CERTIFICATES/e-AUTO REFUND PAYMENT INSTRUCTIONS/REFUND CHECKS**

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

Our Company will not issue temporary document of title in respect of the Offer Shares. Our Company will not issue receipt for sums paid on application.

Subject to arrangement on despatch/collection of Share certificates and refund checks as mentioned below, any refund checks and Share certificate(s) are expected to be posted on or around Thursday, December 22, 2022. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, December 23, 2022, provided that the Global Offering has become unconditional in all respects at or before that time and the right of termination described in "Underwriting" in this prospectus has not been exercised.

Investors who trade the Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

### *Personal Collection*

- ***If you apply through the HK eIPO White Form service:***

- If you apply for 300,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 22, 2022, or any other place or date notified by our Company.
- If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.
- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 300,000 Hong Kong Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, December 22, 2022 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund check(s) in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post and at your own risk.

- ***If you apply through the CCASS EIPO service:***

*Allocation of the Hong Kong Offer Shares*

- For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application**

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

**instructions** or each person for whose benefit instructions are given will be treated as an applicant.

### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, December 22, 2022 or on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in "—Publication of Results" above on Thursday, December 22, 2022. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 22, 2022 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that **broker** or **custodian**.
- If you have applied as a CCASS Investor Participant, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, December 22, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, December 22, 2022.

## **H. ADMISSION OF THE SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

Our Company has made all necessary arrangements to enable the Shares to be admitted into CCASS.





Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

安永會計師事務所  
香港鰂魚涌英皇道 979 號  
太古坊一座 27 樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SIPAI HEALTH TECHNOLOGY CO., LTD., MORGAN STANLEY ASIA LIMITED, AND HAITONG INTERNATIONAL CAPITAL LIMITED

### Introduction

We report on the historical financial information of Sipai Health Technology Co., Ltd. (the "Company", formerly known as Medbanks Health Technology Co., Ltd. and ThinkGeek Network Technology Co., Ltd.) and its subsidiaries (together, the "Group") set out on pages I-3 to I-104, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2019, 2020 and 2021 and June 30, 2022, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended December 31, 2019, 2020 and 2021, and the six months ended June 30, 2022 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-104 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 12, 2022 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at December 31, 2019, 2020 and 2021 and June 30, 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

### **Review of interim comparative financial information**

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2021 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in note 2.1 to the Historical Financial Information.

### **Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

#### **Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

#### **Dividends**

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

***Ernst & Young***

*Certified Public Accountants*

Hong Kong

December 12, 2022

## I HISTORICAL FINANCIAL INFORMATION

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31, 2019 RMB'000	Year ended December 31, 2020 RMB'000	Year ended December 31, 2021 RMB'000	Six months ended June 30, 2021 RMB'000 (unaudited)	Six months ended June 30, 2022 RMB'000
<b>REVENUE</b> .....	5	1,039,011	2,699,647	3,473,930	1,550,044	1,887,652
Cost of sales .....		(957,207)	(2,512,787)	(3,190,481)	(1,431,562)	(1,710,708)
<b>Gross profit</b> .....		81,804	186,860	283,449	118,482	176,944
Other income and gains .....	6	7,004	34,808	51,069	19,538	22,351
Selling and marketing expenses .....		(116,032)	(183,450)	(291,461)	(139,266)	(160,614)
Administrative expenses .....		(219,462)	(361,242)	(670,021)	(311,538)	(252,329)
Research and development expenses ...		(24,850)	(45,743)	(59,207)	(29,305)	(34,286)
Impairment losses on financial assets and contract assets under expected credit loss model ("ECL"), net .....	24	(1,845)	(5,331)	(6,407)	(2,755)	(5,003)
Other expenses .....	9	(256)	(5,816)	(3,121)	(1,676)	(4,528)
Finance costs .....	8	(2,877)	(3,527)	(3,688)	(1,879)	(1,956)
Share of profits and losses of an associate .....		586	(65)	137	(342)	81
<b>Loss before fair value losses on convertible redeemable preferred shares</b> .....		(275,928)	(383,506)	(699,250)	(348,741)	(259,340)
Change in fair value of convertible redeemable preferred shares .....	31	(320,092)	(657,344)	(3,048,428)	(2,168,069)	(85,101)
<b>LOSS BEFORE TAX</b> .....	7	(596,020)	(1,040,850)	(3,747,678)	(2,516,810)	(344,441)
Income tax (expense)/credit .....	12	(51)	(1,179)	(825)	38	(1,546)
<b>LOSS FOR THE YEAR/PERIOD</b> ...		<u>(596,071)</u>	<u>(1,042,029)</u>	<u>(3,748,503)</u>	<u>(2,516,772)</u>	<u>(345,987)</u>
Attributable to:						
Owners of the parent .....		(594,595)	(1,042,781)	(3,740,455)	(2,510,065)	(346,327)
Non-controlling interests .....		(1,476)	752	(8,048)	(6,707)	340
		<u>(596,071)</u>	<u>(1,042,029)</u>	<u>(3,748,503)</u>	<u>(2,516,772)</u>	<u>(345,987)</u>

## I HISTORICAL FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME—continued

	Year ended December 31, 2019 <i>RMB'000</i>	Year ended December 31, 2020 <i>RMB'000</i>	Year ended December 31, 2021 <i>RMB'000</i>	Six months ended June 30, 2021 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2022 <i>RMB'000</i>
<b>OTHER COMPREHENSIVE (EXPENSE)/INCOME</b>					
Items that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations . . . . .	5,472	(3,395)	13,789	17,939	217
Items that will not be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of the Company . . . . .	<u>(23,479)</u>	<u>146,119</u>	<u>102,316</u>	<u>7,975</u>	<u>(392,411)</u>
<b>OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR/PERIOD . . . . .</b>	<u>(18,007)</u>	<u>142,724</u>	<u>116,105</u>	<u>25,914</u>	<u>(392,194)</u>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR/ PERIOD . . . . .</b>	<u>(614,078)</u>	<u>(899,305)</u>	<u>(3,632,398)</u>	<u>(2,490,858)</u>	<u>(738,181)</u>
Attributable to					
Owners of the parent . . . . .	(612,602)	(900,057)	(3,624,350)	(2,484,151)	(738,521)
Non-controlling interests . . . . .	<u>(1,476)</u>	<u>752</u>	<u>(8,048)</u>	<u>(6,707)</u>	<u>340</u>
	<u>(614,078)</u>	<u>(899,305)</u>	<u>(3,632,398)</u>	<u>(2,490,858)</u>	<u>(738,181)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT . . . . 14</b>					
Basic and diluted					
For loss for the year/period . . . . .	<u>(5.95)</u>	<u>(10.43)</u>	<u>(37.61)</u>	<u>(25.12)</u>	<u>(3.50)</u>

## I HISTORICAL FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31 2019 RMB'000	As at December 31 2020 RMB'000	As at December 31 2021 RMB'000	As at June 30 2022 RMB'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	15	29,138	26,660	24,692	21,517
Other intangible assets	16	45,695	47,371	61,525	60,055
Prepayments, other receivables and other assets	25	4,586	5,755	147,792	138,991
Right-of-use assets	17	69,595	63,249	89,108	81,680
Investment in an associate		1,365	1,333	1,636	1,717
Goodwill	18	42,074	42,074	79,823	79,823
Total non-current assets		<u>192,453</u>	<u>186,442</u>	<u>404,576</u>	<u>383,783</u>
<b>CURRENT ASSETS</b>					
Inventories	21	211,186	279,931	269,035	279,094
Contract cost		3,761	3,906	2,337	11,134
Trade and bills receivables	23	38,717	44,602	171,195	258,035
Contract assets	24	50,375	73,438	103,266	110,727
Prepayments, other receivables and other assets	25	50,869	72,937	160,347	127,592
Amounts due from related parties	40	181	589	7,666	1,935
Financial assets at fair value through profit or loss ("FVTPL")	20	391,275	38,060	1,067,321	—
Time deposits	26	5,000	5,048	5,048	5,097
Pledged deposits	26	—	—	—	73,200
Cash held on behalf of clients	22	8,179	145,624	166,179	288,131
Cash and cash equivalents	26	199,110	1,628,021	535,849	1,366,423
Total current assets		<u>958,653</u>	<u>2,292,156</u>	<u>2,488,243</u>	<u>2,521,368</u>
<b>CURRENT LIABILITIES</b>					
Trade payables	27	160,612	230,464	237,155	317,629
Other payables and accruals	28	95,657	249,708	367,114	458,219
Amounts due to related parties	40	—	—	2,878	1,864
Contract liabilities	29	59,614	105,884	167,285	166,291
Lease liabilities	17	21,428	26,682	34,123	34,931
Contingent consideration payables	35	—	—	20,790	24,467
Income tax payable		108	507	1,455	1,176
Total current liabilities		<u>337,419</u>	<u>613,245</u>	<u>830,800</u>	<u>1,004,577</u>
<b>NET CURRENT ASSETS</b>		<u>621,234</u>	<u>1,678,911</u>	<u>1,657,443</u>	<u>1,516,791</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>813,687</u>	<u>1,865,353</u>	<u>2,062,019</u>	<u>1,900,574</u>
<b>NON-CURRENT LIABILITIES</b>					
Lease liabilities	17	44,964	36,905	52,895	47,688
Convertible redeemable preferred shares	31	1,774,143	3,618,732	7,434,838	7,914,398
Deferred tax liabilities	30	1,517	1,363	1,519	1,427
Contingent consideration payables	35	—	—	3,677	—
Total non-current liabilities		<u>1,820,624</u>	<u>3,657,000</u>	<u>7,492,929</u>	<u>7,963,513</u>
Net liabilities		<u>(1,006,937)</u>	<u>(1,791,647)</u>	<u>(5,430,910)</u>	<u>(6,062,939)</u>
<b>EQUITY</b>					
Equity attributable to owners of the parent					
Share capital	32	61	61	138	138
Reserves		(1,010,651)	(1,796,713)	(5,429,362)	(6,062,221)
		(1,010,590)	(1,796,652)	(5,429,224)	(6,062,083)
<b>Non-controlling interests</b>		3,653	5,005	(1,686)	(856)
Total deficits		<u>(1,006,937)</u>	<u>(1,791,647)</u>	<u>(5,430,910)</u>	<u>(6,062,939)</u>

**I HISTORICAL FINANCIAL INFORMATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to owners of the parent						Total deficit RMB'000
	Share capital RMB'000 (note 32)	Capital reserve* RMB'000	Share-based payment reserve* RMB'000 (note 34)	Foreign currency translation reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000	
At January 1, 2019	61	939	30,874	(19,801)	(432,194)	(420,121)	(420,116)
Loss for the year	—	—	—	—	(594,595)	(594,595)	(596,071)
Other comprehensive expense for the year	—	—	—	(18,007)	—	(18,007)	(18,007)
Total comprehensive expense for the year	—	—	—	(18,007)	(594,595)	(612,602)	(614,078)
Share-based payment compensation	—	—	21,738	—	—	21,738	21,738
Acquisition of subsidiaries (notes 35, 36)	—	—	—	—	—	—	5,174
Capital injection into subsidiaries by non-controlling shareholders	—	—	—	—	—	—	95
Change in ownership interests in subsidiaries without change of control (note a)	—	—	—	—	395	395	(145)
At December 31, 2019	61	939	52,612	(37,808)	(1,026,394)	(1,010,590)	(1,006,937)

**I HISTORICAL FINANCIAL INFORMATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued**

	Attributable to owners of the parent						Non-controlling interests RMB'000	Total deficit RMB'000
	Share capital RMB'000 (note 32)	Capital reserve* RMB'000	Share-based payment reserve* RMB'000 (note 34)	Foreign currency translation reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000		
At January 1, 2020 .....	61	939	52,612	(37,808)	(1,026,394)	(1,010,590)	3,653	(1,006,937)
(Loss)/profit for the year .....	—	—	—	—	(1,042,781)	(1,042,781)	752	(1,042,029)
Other comprehensive income for the year .....	—	—	—	142,724	—	142,724	—	142,724
Total comprehensive income/(expense) for the year .....	—	—	—	142,724	(1,042,781)	(900,057)	752	(899,305)
Share-based payment compensation .....	—	—	113,995	—	—	113,995	—	113,995
Capital injection into subsidiaries by non-controlling shareholders .....	—	—	—	—	—	—	600	600
At December 31, 2020 .....	61	939	166,607	104,916	(2,069,175)	(1,796,652)	5,005	(1,791,647)

**I HISTORICAL FINANCIAL INFORMATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued**

	Attributable to owners of the parent								Total deficit RMB'000	
	Share capital RMB'000	Treasury shares RMB'000	Capital reserve* RMB'000	Share-based payment reserve* RMB'000	Other reserve* RMB'000	Foreign currency translation reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000		Non-controlling interests RMB'000
At January 1, 2021 .....	61	—	939	166,607	—	104,916	(2,069,175)	(1,796,652)	5,005	(1,791,647)
Loss for the year .....	—	—	—	—	—	—	(3,740,455)	(3,740,455)	(8,048)	(3,748,503)
Other comprehensive income for the year .....	—	—	—	—	—	116,105	—	116,105	—	116,105
Total comprehensive income/(expense) for the year .....	—	—	—	—	—	116,105	(3,740,455)	(3,624,350)	(8,048)	(3,632,398)
Issue of new ordinary shares (note 32) .....	78	—	—	—	—	—	—	78	—	78
Share-based payment compensation .....	—	—	—	298,682	—	—	—	298,682	—	298,682
Acquisition of subsidiaries (note 36) .....	—	—	—	—	—	—	—	—	1,103	1,103
Repurchase of the vested share options (note b) .....	—	—	—	(27,795)	(25,591)	—	—	(53,386)	—	(53,386)
Repurchase of the ordinary share (note 32) .....	(1)	—	—	—	(10,056)	—	—	(10,057)	—	(10,057)
Disposal of subsidiaries of offline clinic services (note 37) .....	—	—	—	—	(243,697)	—	—	(243,697)	—	(243,697)
Shares issued to trust and converted to the treasury shares (note 32) .....	—	(78)	—	—	—	—	—	(78)	—	(78)
Capital injection into subsidiaries by non- controlling shareholders .....	—	—	—	—	—	—	—	—	490	490
Change in ownership interests in subsidiaries without change of control ..	—	—	—	—	236	—	—	236	(236)	—
At December 31, 2021 .....	138	(78)	939	437,494	(279,108)	221,021	(5,809,630)	(5,429,224)	(1,686)	(5,430,910)



**I HISTORICAL FINANCIAL INFORMATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued**

	Attributable to owners of the parent							Non-controlling interests RMB'000	Total deficit RMB'000
	Share capital RMB'000 (note 32)	Treasury shares RMB'000	Capital reserve* RMB'000	Share-based payment reserve* RMB'000 (note 34)	Other capital reserve* RMB'000	Foreign currency translation reserve** RMB'000	Accumulated losses** RMB'000		
At January 1, 2021 .....	61	—	939	166,607	—	104,916	(2,069,175)	(1,796,652)	(1,791,647)
Loss for the period (unaudited) .....	—	—	—	—	—	—	(2,510,065)	(2,510,065)	(2,516,772)
Other comprehensive income for the period (unaudited) .....	—	—	—	—	—	25,914	—	25,914	25,914
Total comprehensive income/ (expense) for the period (unaudited) .....	—	—	—	—	—	25,914	(2,510,065)	(2,484,151)	(2,490,858)
Issue of new ordinary shares (unaudited) (note 32) .....	78	—	—	—	—	—	—	78	78
Share-based payment compensation (unaudited) ...	—	—	—	143,967	—	—	—	143,967	143,967
Acquisition of subsidiaries (unaudited) (note 36) .....	—	—	—	—	—	—	—	—	153
Repurchase of the vested share options (unaudited) (note b) .....	—	—	—	(27,795)	(25,591)	—	—	(53,386)	(53,386)
Repurchase of the ordinary share (unaudited) (note 32) ...	(1)	—	—	—	(10,056)	—	—	(10,057)	(10,057)
Disposal of subsidiaries of offline clinics services (unaudited) (note 37) .....	—	—	—	—	(243,697)	—	—	(243,697)	(243,697)
Shares issued to trust and converted to the treasury shares (unaudited) (note 32) .....	—	(78)	—	—	—	—	—	(78)	(78)
At June 30, 2021 (unaudited) ...	138	(78)	939	282,779	(279,344)	130,830	(4,579,240)	(4,443,976)	(4,445,525)

**I HISTORICAL FINANCIAL INFORMATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued**

	Attributable to owners of the parent						Total	Non-controlling interests	Total deficit
	Share capital	Treasury shares	Capital reserve*	Share-based payment reserve*	Other reserve*	Foreign currency translation reserve**			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At January 1, 2022	138	(78)	939	437,494	(279,108)	221,021	(5,809,630)	(1,686)	(5,430,910)
(Loss)/profit for the period	—	—	—	—	—	—	(346,327)	340	(345,987)
Other comprehensive expense for the period	—	—	—	—	—	(392,194)	—	—	(392,194)
Total comprehensive (expense)/income for the period	—	—	—	—	—	(392,194)	(346,327)	340	(738,181)
Capital injection into a subsidiary by non-controlling shareholders	—	—	—	—	—	—	—	490	490
Share-based payment compensation	—	—	—	105,662	—	—	—	—	105,662
At June 30, 2022	138	(78)	939	543,156	(279,108)	(171,173)	(6,155,957)	(856)	(6,062,939)

\* These reserve accounts represent the total reserves excluding treasury shares of RMB(1,010,651,000), RMB(1,796,713,000), RMB(5,429,284,000) and RMB(6,062,143,000) in the consolidated statements of financial position as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

Note a: Shenzhen Medbanks Pharmacy Co., Ltd. 深圳市思派大藥房有限公司 (“Shenzhen Medbanks”) was established by the Group in August 2018. The Group disposed of 49% of its equity interests in Shenzhen Medbanks to a third party for a total cash consideration of RMB250,000 in August 2019. The proportionate share of the carrying amount of the net liabilities of Shenzhen Medbanks attributable to non-controlling interests amounted to RMB145,000.

Note b: In February and May 2021, the Company repurchased 4,000,000 and 1,950,000 vested share options, respectively, granted to certain directors of the Company and the Group's employees under the 2017 Share Option Plan as set out in note 34 to the Historical Financial Information at a total net consideration of RMB36,922,000 and RMB16,464,000, respectively after deduction of the exercise price. The repurchase price was determined based on the fair value of ordinary shares of the Company on the repurchase date with reference to the issue price of recent financing. The repurchase of vested share options was accounted for as a deduction from equity.

## I HISTORICAL FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31, 2019 RMB'000	Year ended December 31, 2020 RMB'000	Year ended December 31, 2021 RMB'000	Six months ended June 30, 2021 RMB'000 (unaudited)	Six months ended June 30, 2022 RMB'000
CASH FLOWS USED IN						
OPERATING ACTIVITIES						
Loss before tax		(596,020)	(1,040,850)	(3,747,678)	(2,516,810)	(344,441)
Adjustments for:						
Finance costs	8	2,877	3,527	3,688	1,879	1,956
Bank interest income	6	(1,259)	(1,136)	(10,370)	(7,231)	(8,206)
Depreciation of property, plant and equipment	7	8,331	13,563	14,316	7,232	6,693
Depreciation of right-of-use assets	7	20,119	28,746	32,432	17,036	15,590
Amortisation of other intangible assets	7	1,557	5,402	7,134	3,186	4,187
Share-based payment compensation	34	21,738	113,995	298,682	143,967	105,662
Impairment loss recognized on financial assets and contract assets under ECL model, net	24, 25	1,845	5,331	6,407	2,755	5,003
Impairment loss recognized on inventories, net of reversal	21	61	3,279	2,389	(1,544)	2,699
Loss/(gain) on disposal of property, plant and equipment, net		19	(23)	77	18	7
Loss on disposal of other intangible assets		—	—	16	—	—
Gains on lease termination, net	17	(43)	—	(365)	(159)	(331)
Change in fair value of convertible redeemable preferred shares	31	320,092	657,344	3,048,428	2,168,069	85,101
Gain from the disposal of a subsidiary		(29)	—	—	—	—
Foreign exchange differences, net	7	(600)	12	(3,952)	(4,004)	(8)
Gain on financial assets at FVTPL	6	(4,356)	(8,779)	(25,658)	(5,600)	(10,260)
Share of profit and loss of an associate		(586)	65	(137)	342	(81)
Operating cash flows before movements in working capital		(226,254)	(219,524)	(374,591)	(190,864)	(136,429)
(Increase)/decrease in inventories	21	(171,678)	(70,977)	15,634	(24,957)	(12,758)
(Increase)/decrease in contract cost		(3,761)	(145)	1,569	557	(8,797)
Increase in trade and bills receivables	23	(27,003)	(10,245)	(132,999)	(39,495)	(91,186)

## I HISTORICAL FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Notes	Year ended December 31, 2019 <i>RMB'000</i>	Year ended December 31, 2020 <i>RMB'000</i>	Year ended December 31, 2021 <i>RMB'000</i>	Six months ended June 30, 2021 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2022 <i>RMB'000</i>
Increase in contract assets . . . . .	24	(28,243)	(24,034)	(31,107)	(29,208)	(8,880)
(Increase)/decrease in prepayments, other receivables and other assets . . . . .	25	(36,778)	(20,327)	(219,197)	(230,440)	33,531
Increase in pledged deposits . . . . .	26	—	—	—	—	(73,200)
Increase in cash held on behalf of clients . . . . .	22	(8,179)	(137,445)	(20,555)	(102,698)	(121,952)
Decrease/(increase) in amounts due from related parties . . . . .	40	1,000	(408)	21,152	(102,269)	5,731
Increase/(decrease) in amounts due to related parties . . . . .	40	—	—	1,624	99,338	(1,014)
Increase/(decrease) in trade payables . . . . .	27	114,730	69,852	(3,742)	27,746	80,474
Increase in other payables and accruals . . . . .	28	26,999	175,800	60,233	105,239	122,383
Increase/(decrease) in contract liabilities . . . . .	29	32,523	46,270	61,450	13,006	(994)
Cash used in operations . . . . .		(326,644)	(191,183)	(620,529)	(474,045)	(213,091)
Income tax paid . . . . .		(516)	(934)	(1,390)	(490)	(1,917)
Net cash flows used in operating activities . . . . .		(327,160)	(192,117)	(621,919)	(474,535)	(215,008)
<b>CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES . . . . .</b>						
Purchases of property, plant and equipment . . . . .		(16,821)	(11,990)	(16,577)	(7,823)	(3,919)
Purchases of other intangible assets . . .		—	(2,722)	(4,832)	(2,403)	(7,495)
Purchase of financial products at FVTPL . . . . .		(16,023)	—	(1,003,603)	(1,210,812)	—
Proceeds from withdrawal of financial products at FVTPL . . . . .		—	361,994	—	—	1,077,581
Proceeds from disposal of property, plant and equipment . . . . .		10	340	89	57	241
Interest income . . . . .		1,259	1,088	10,370	7,182	8,157
Acquisition of subsidiaries . . . . .	35, 36	(47,236)	(29,093)	(5,780)	(4,219)	(17,578)
Disposal of a subsidiary . . . . .		(1,804)	—	—	—	—
Net cash flows (used in)/from investing activities . . . . .		(80,615)	319,617	(1,020,333)	(1,218,018)	1,056,987

## I HISTORICAL FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Notes	Year ended December 31, 2019 <i>RMB'000</i>	Year ended December 31, 2020 <i>RMB'000</i>	Year ended December 31, 2021 <i>RMB'000</i>	Six months ended June 30, 2021 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2022 <i>RMB'000</i>
CASH FLOWS FROM/(USED IN)						
FINANCING ACTIVITIES . . . . .						
Proceeds from issue of convertible redeemable preferred shares . . . . .	31	573,655	1,340,485	1,126,746	1,126,745	—
Redemption of convertible redeemable preferred shares . . . . .	31	—	—	(206,846)	(61,657)	—
Repurchase of the ordinary shares . . . . .	32	—	—	(10,057)	(10,057)	—
Contribution from non-controlling shareholders . . . . .		95	600	490	—	490
Payments of repurchase of the vested options . . . . .		—	—	(53,386)	(49,066)	—
Principal portion of lease payments . . .	17	(19,413)	(25,619)	(34,533)	(15,680)	(12,230)
Interest paid for lease liabilities . . . . .	17	(2,877)	(3,527)	(3,688)	(1,879)	(1,956)
Disposal of subsidiaries of offline clinic services to shareholders . . . . .	37	—	—	(262,565)	(262,565)	—
Payments of listing expenses . . . . .		—	—	(3,983)	(405)	(941)
Advance payments received for subscription of share options . . . . .		—	—	7,114	5,812	959
Consideration from disposal of partial interests of a subsidiary . . . . .		250	—	—	—	—
Net cash flows from/(used in) financing activities . . . . .		<u>551,710</u>	<u>1,311,939</u>	<u>559,292</u>	<u>731,248</u>	<u>(13,678)</u>
NET INCREASE/(DECREASE) IN						
CASH AND CASH						
EQUIVALENTS . . . . .						
Cash and cash equivalents at beginning of year/period . . . . .	26	59,904	199,110	1,628,021	1,628,021	535,849
Effect of foreign exchange rate changes, net . . . . .		<u>(4,729)</u>	<u>(10,528)</u>	<u>(9,212)</u>	<u>(9,072)</u>	<u>2,273</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD . . . . .	26	<u>199,110</u>	<u>1,628,021</u>	<u>535,849</u>	<u>657,644</u>	<u>1,366,423</u>

## I HISTORICAL FINANCIAL INFORMATION

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31 2019 <i>RMB'000</i>	As at December 31 2020 <i>RMB'000</i>	As at December 31 2021 <i>RMB'000</i>	As at June 30 2022 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>					
Investment in subsidiaries .....	19	1,237,029	2,730,550	3,546,313	3,609,588
Total non-current assets .....		<u>1,237,029</u>	<u>2,730,550</u>	<u>3,546,313</u>	<u>3,609,588</u>
<b>CURRENT ASSETS</b>					
Prepayments, other receivables and other assets ...		—	48	77	2,639
Financial assets at FVTPL .....	20	76,020	3	—	—
Amounts due from subsidiaries .....		61	61	425,611	425,611
Cash and cash equivalents .....	26	209	34	298	301
Total current assets .....		<u>76,290</u>	<u>146</u>	<u>425,986</u>	<u>428,551</u>
<b>CURRENT LIABILITIES</b>					
Other payables and accruals .....		—	50	30,550	25,756
Amounts due to subsidiaries .....		—	—	410,420	419,856
Total current liabilities .....		<u>—</u>	<u>50</u>	<u>440,970</u>	<u>445,612</u>
NET CURRENT ASSETS .....		<u>76,290</u>	<u>96</u>	<u>(14,984)</u>	<u>(17,061)</u>
<b>TOTAL ASSETS LESS</b>					
CURRENT LIABILITIES .....		<u>1,313,319</u>	<u>2,730,646</u>	<u>3,531,329</u>	<u>3,592,527</u>
<b>NON-CURRENT LIABILITIES</b>					
Convertible redeemable preferred shares .....	31	1,677,222	3,481,751	7,365,510	7,840,257
Total non-current liabilities .....		<u>1,677,222</u>	<u>3,481,751</u>	<u>7,365,510</u>	<u>7,840,257</u>
NET LIABILITIES .....		<u>(363,903)</u>	<u>(751,105)</u>	<u>(3,834,181)</u>	<u>(4,247,730)</u>
<b>EQUITY</b>					
Share capital .....	32	61	61	138	138
Reserves .....	33	(363,964)	(751,166)	(3,834,319)	(4,247,868)
Total deficits .....		<u>(363,903)</u>	<u>(751,105)</u>	<u>(3,834,181)</u>	<u>(4,247,730)</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

Sipai Health Technology Co., Ltd. (the “Company”, formerly known as Medbanks Health Technology Co., Ltd. and ThinkGeek Network Technology Co., Ltd.) is limited liability company incorporated in the Cayman Islands (“Cayman”) under the laws of the Cayman Islands. The registered office address of the Company is at Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

During the Relevant Periods, the Company and its subsidiaries (together, the “Group”) are principally engaged in (i) the provision of specialty pharmacy business (the “Specialty Pharmacy Business”, including specialty pharmacy network and pharmacist service), (ii) the provision of physician research assistance (the “Physician Research Assistance Business”, including site management organization services, services for image management in clinical trials and real-world study services) and (iii) health insurance services (the “Health Insurance Services Business”, including health management services). The Group’s principal operations and geographic markets are in the People’s Republic of China (the “PRC”).

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, particulars of the principal subsidiaries are set out below:

Name	Notes	Place and date of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
MediGeek Network Technology Co., Limited	(a)	Hong Kong (the “HK”) of PRC May 29, 2015	HK\$1	100%	—	Investment holding
Siweite (Beijing) Healthcare Management Co., Ltd.*思维特(北京)健康管理有限公司	(d) (j) (k)	PRC/Mainland China August 16, 2017	RMB10,000,000	—	100%	Investment holding
Yunnan Ditipi Pharmaceutical Co., Ltd.*雲南蒂梯匹藥業有限公司	(a)	PRC/Mainland China August 8, 2016	RMB1,000,000	—	100%	Retail of pharmaceutical products
Sichuan Sipai Pharmacy Co.,Ltd.*四川思派大藥房有限公司	(h) (i) (k)	PRC/Mainland China April 17, 2018	RMB1,000,000	—	100%	Retail of pharmaceutical products
Taiyuan Taikang Xinte Pharmacy Co., Ltd.*太原泰康新特大藥房有限公司	(a)	PRC/Mainland China August 15, 2012	RMB800,000	—	51%	Retail of pharmaceutical products
Hubei Sipai Pharmacy Co., Ltd.*湖北思派大藥房有限公司	(a)	PRC/Mainland China May 24, 2018	RMB2,000,000	—	100%	Retail of pharmaceutical products
Guangdong Dahui Medical Co., Ltd.*廣東達慧醫藥有限公司	(e)	PRC/Mainland China July 19, 2000	RMB50,000,000	—	100%	Pharmacy sector wholesale
Sipai Wisdom Pharmacy (Guang zhou)Co., Ltd.*思派智慧大藥房(廣州)有限公司	(a)	PRC/Mainland China April 17, 2019	RMB1,600,000,000	—	100%	Pharmacy sector holding company
Bixun (Shanghai) Medical Technology Co., Ltd.*比遜(上海)醫療科技有限公司	(a)	PRC/Mainland China June 3, 2014	RMB100,000,000	—	100%	Site management organization services

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 1. CORPORATE INFORMATION—continued

Name	Notes	Place and date of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Bixun (Guangzhou) Medical Technology Co., Ltd.* 比遜(廣州)醫療科技有限公司	(f) (j) (k)	PRC/Mainland China April 29, 2019	RMB200,000,000	—	100%	Site management organization services
Sipai Healthcare Investment Co., Ltd.* 思派健康產業投資有限公司	(a) (c)	PRC/Mainland China March 8, 2019	USD400,000,000	—	100%	Investment holding
Sipai (Beijing) Insurance Brokerage Co., Ltd.* 思派(北京)保險經紀有限公司 (formerly known as Yuantong (Beijing) Insurance Brokerage Co., Ltd.* 遠通(北京)保險經紀有限公司)	(g) (j) (k)	PRC/Mainland China November 18, 2014	RMB50,000,000	—	100%	Insurance brokerage
Sipai (Beijing) Network Technology Co., Ltd.* 思派(北京)網絡 科技有限公司	(a) (b) (c)	PRC/Mainland China March 28, 2014	RMB1,083,474.15	—	100%	Insurance brokerage

The above table lists the subsidiaries of the Company that the directors of the Company believe principally affect the results or assets of the Group. In the opinion of the directors of the Company, to give details of other subsidiaries would result in particulars of excessive length.

\* The English names of these subsidiaries registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as these subsidiaries do not have official English names.

## Notes:

- (a) No audited financial statements have been prepared for these companies since their incorporation/registration, since there are no statutory audit requirements.
- (b) On August 17, 2015, Yiling (Shanghai) Information Technology Co., Ltd. 醫凌(上海)信息科技有限公司("Shanghai WFOE") entered into a series of contractual arrangements with Sipai (Beijing) Network Technology Co., Ltd. 思派(北京)網絡科技有限公司("SBIT") and its equity holders, which granted Shanghai WFOE the control over SBIT, which has been treated as an indirect subsidiary of the Company thereafter for accounting purposes. Shanghai WFOE was voluntarily dissolved in March 2022.
- (c) On May 10, 2021, SBIT and Shanghai WFOE, among other parties, terminated the contractual arrangement among themselves. On May 10, 2021, Sipai Healthcare Investment Co., Ltd 思派健康產業投資有限公司 ("Sipai WFOE") entered into a series of contractual arrangements with SBIT and its equity holders, which granted Sipai WFOE the control over SBIT, which has still been treated as an indirect subsidiary of the Company thereafter for accounting purposes.
- (d) The statutory financial statements of Siweite (Beijing) Healthcare Management Co., Ltd. for the year ended December 31, 2019 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Liaoning Known Union Alpha Cpa Ltd. (遼寧寧知會計師事務所有限公司).
- (e) The statutory financial statements of Guangdong Dahui Medical Co., Ltd for the years ended December 31, 2019, 2020 and 2021 prepared under PRC GAAP were audited by Guangzhou Xin Dongyue Certified Public Accountant's Co., Ltd. (廣州市新東越會計師事務所有限公司).
- (f) The statutory financial statements of Bixun (Guangzhou) Medical Technology Co., Ltd. for the year ended December 31, 2019 prepared under PRC GAAP were audited by Shanghai Hddy Certified Public Accountants Co., Ltd. (上海宏大東亞會計師事務所有限公司).
- (g) The statutory financial statements of Yuantong (Beijing) Insurance Brokerage Co., Ltd. for the year ended December 31, 2019 prepared under PRC GAAP were audited by Shanghai Hddy Certified Public Accountants Co., Ltd. (上海宏大東亞會計師事務所有限公司).
- (h) The statutory financial statements of Sichuan Sipai Pharmacy Co., Ltd for the year ended December 31, 2020 prepared under PRC GAAP were audited by Sichuan Mingyang Zhengxin Certified Public Accountant's Co., Ltd. (四川名揚正信會計師事務所有限公司).
- (i) No audited financial statements have been prepared for these companies for the year ended December 31, 2019.
- (j) No audited financial statements have been prepared for these companies for the year ended December 31, 2020.
- (k) No audited financial statements have been prepared for these companies for the year ended December 31, 2021.



**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued****2.1 BASIS OF PREPARATION**

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRSs effective for the accounting period commencing from January 1, 2022, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value at the end of each of the Relevant Periods.

Notwithstanding that the Group recorded net liabilities of RMB6,062,939,000 as at June 30, 2022 and continually incurred losses from operations, the Historical Financial Information has been prepared on a going concern basis. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next 12 months from June 30, 2022 because the convertible redeemable preferred shares would not be contractually redeemable within the next 12-month period.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods and the six months ended June 30, 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.1 BASIS OF PREPARATION—continued

Basis of consolidation—continued

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Contractual arrangements

SBIT and its subsidiaries and Sipai Healthcare Technology (Guangzhou) Co., Ltd. (思派健康科技(廣州)有限公司, "SHTG") and its subsidiaries are engaged in the insurance broking business and provision of offline clinic services, respectively (collectively, the "PRC Operating Entities"). Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaging in the insurance broking business and offline clinic services carried out by subsidiaries of the Group, Shanghai WFOE, a wholly-owned subsidiary of the Group, entered into a series of contractual arrangements with SBIT and certain PRC individuals on August 17, 2015 and Sipai WFOE, a wholly-owned subsidiary of the Group, entered into a series of contractual arrangements with SHTG and certain PRC individuals on July 30, 2019.

To ensure that the contractual arrangements are narrowly tailored in accordance with the requirements of the Stock Exchange and in preparation for the Hong Kong Initial Public Offering ("HK IPO"), the Group underwent the certain onshore reorganization to streamline the corporate structure as detailed in the section headed "History, Reorganization and Corporate Structure" in the Prospectus. On May 10, 2021, SBIT and Shanghai WFOE, among other parties, terminated the contractual arrangement among themselves. Besides, at the same date, Sipai WFOE entered into a series of contractual arrangements with SBIT and its equity holders, which granted Sipai WFOE the control over SBIT, which has been treated as an indirect subsidiary of the Company during the Relevant Periods and the six months ended June 30, 2021 for accounting purposes.

On June 30, 2021, Sipai WFOE and SHTG among other parties, terminated the contractual arrangement among themselves. Besides, at the same date, Sipai Information Technology (Xiamen) Co., Ltd. (思派信息技術(廈門)有限公司) ("SITX", the subsidiary of the Group) entered into a series of contractual arrangements with SHTG and its equity holders, which granted SITX the control over SHTG, which has been treated as an indirect subsidiary of the Company during the Relevant Periods till SHTG was disposed as subsidiaries of Spcare Technology Co., Ltd as detailed in note 37 for accounting purposes.

The contractual arrangements mentioned in the paragraphs above enable Shanghai WFOE, Sipai WFOE and SITX to exercise effective control over the relevant entities of PRC Operating Entities and, accordingly, Shanghai WFOE, Sipai WFOE and SITX each have rights to variable returns from its involvement with the relevant entities of PRC Operating Entities and has the ability to affect those

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued****2.1 BASIS OF PREPARATION—continued**Contractual arrangements—continued

returns through its power over the PRC Operating Entities. Accordingly, the Company regards the PRC Operating Entities as indirect subsidiaries for the purpose of the Historical Financial Information and the financial statements of the PRC Operating Entities for the Relevant Periods and the six months ended June 30, 2021 have been consolidated in the Historical Financial Information for the Relevant Periods and the six months ended June 30, 2021. Details of the contractual arrangements are disclosed in the section headed “Contractual Arrangements” in the Prospectus.

**2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 17 .....	<i>Insurance Contracts<sup>1</sup></i>
Amendments to IAS 1 .....	<i>Classification of Liabilities as Current or Non-current<sup>1</sup></i>
Amendments to IFRS 17 .....	<i>Insurance Contracts<sup>1, 3</sup></i>
Amendments to IFRS 17 .....	<i>Initial Application of IFRS 17 and IFRS 9- Comparative information<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28 .....	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>2</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2 ..	<i>Disclosure of Accounting Policies<sup>1</sup></i>
Amendments to IAS 8 .....	<i>Definition of Accounting Estimates<sup>1</sup></i>
Amendments to IAS 12 .....	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2023

<sup>2</sup> No mandatory effective date yet determined but available for adoption

<sup>3</sup> As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are not expected to have a significant impact on the Group's results of operations and financial position.

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Investments in associates—continued

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statements of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Business combinations and goodwill—continued

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its certain financial instruments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1—based on quoted prices (unadjusted) in active markets for identical assets or liabilities

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Fair value measurement—continued

Level 2—based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3—based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, financial assets and other non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Related parties—continued

A party is considered to be related to the Group if—continued:

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	19%
Electronic equipment	19%-32%
Motor vehicles	12%-24%
Leasehold improvements	20%-33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Property, plant and equipment and depreciation—continued

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents leasehold improvements under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

*Licenses*

Purchased licenses are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of 10 years. The useful life of 3-10 years for license is estimated based on the duration of the license, as well as the useful lives of similar assets in the marketplace.

*Software*

Purchased software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful lives of 3 to 10 years. The estimated useful life of 3-10 years for software is determined by considering the period of the economic benefits to the Group as well as by referring to the industry practice.

*Research and development costs*

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new software is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Software development expenditure which does not meet these criteria is expensed when incurred.



**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued****2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

**(a) Right-of-use assets**

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	1-10 years
-----------	------------

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

**(b) Lease liabilities**

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Leases—continued*Group as a lessee—continued*

change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

## (c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of motor vehicles that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Investments and other financial assets*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Investments and other financial assets—continued*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortized cost (debt instruments)*

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, time deposits, pledged deposits, amounts due from related companies and deposits and other receivables included in prepayments, other receivables and other assets.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

*Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Investments and other financial assets—continued*Derecognition of financial assets—continued*

ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*General approach*

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Impairment of financial assets—continued*General approach—continued*

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1—Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2—Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3—Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

*Simplified approach*

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and convertible redeemable preferred shares.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Financial liabilities—continued*Financial liabilities at fair value through profit or loss—continued*

Financial liabilities designated upon initial recognition as at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at FVTPL are recognized in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities.

*Financial liabilities at amortized cost*

After initial recognition, trade payables and other payables are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Derivative financial instruments

## Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as warrants. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Group (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Income tax—continued

Deferred tax assets are recognized for all deductible temporary differences, and the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.



**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue recognition*Revenue from contracts with customers*

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

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

## (a) Specialty Pharmacy Business

The primary source of the revenue from the Specialty Pharmacy Business is generated from the operation of offline Delivery to Patients (“DTP”) retail pharmacies and distribution of pharmaceutical products to pharmaceutical companies and other distributors. Revenue from the Specialty Pharmacy Business is recognized at the point in time when control of goods is transferred to the customer, generally on delivery of the medicines and pharmaceutical products.

The Group evaluates whether it is appropriate to record the gross amount of sales of pharmaceutical products and related costs or the net amount earned as commissions for its distribution of pharmaceutical products under the Specialty Pharmacy Business. When the Group acts as a principal, that the Group obtains control of the specified goods or services before they are transferred to the customers, the revenues should be recognized in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods or services transferred. When the Group acts as an agent and its obligation is to facilitate third parties in fulfilling their performance obligation for specified goods or services, the revenues should be recognized in the net amount for the amount of commission which the Group earns in exchange for arranging for the specified goods or services to be provided by other parties.

## (b) Physician Research Assistance Business

The primary source of revenue from the Physician Research Assistance business is generated from site management organization services, providing integrated services to pharmaceutical companies to assist

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue recognition—continued*Revenue from contracts with customers—continued*

them in producing clinical trial data that meets the relevant regulatory standards for the pharmaceutical companies to advance to the next phase of clinical trial or solicit approval of a treatment by the applicable regulatory body. The Group recognizes the revenue when the performance obligation is satisfied over time as the service output is captured in clinical data and documentation that is available for pharmaceutical companies over the progress of clinical trials.

## (c) Health Insurance Services Business

The primary source of revenue from the Health Insurance Services business is commissions from insurance brokerage services. The Group provides insurance brokerage services including distribution of various health and life insurance products on behalf of insurance companies. As an agent of the insurance companies, the Group sell insurance policies on behalf of the insurance companies and earn brokerage commissions determined as a percentage of premiums paid by the insured.

Insurance brokerage services revenue is recognized when the signed insurance policy becomes effective since the Group have fulfilled its performance obligation. The Group also generated revenue from health management and claim processing services provided to insurance companies, typically charging insurance companies of a fixed fee per policy and revenue is recognized over time during the service period as the Group fulfills its performance obligation.

*Other income*

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued****2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Contract costs

Other than the costs which are capitalized as inventories, property, plant and equipment and intangible assets, costs incurred to fulfill a contract with a customer are capitalized as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration and rewards in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the Historical Financial Information.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an option unless there are also service and/or performance conditions.

For options that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where options include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Share-based payments—continued

Where the terms of an equity-settled option are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the option are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled option is canceled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the option is recognized immediately. This includes any option where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new option is substituted for the canceled option, and is designated as a replacement option on the date that it is granted, the canceled and new options are treated as if they were a modification of the original option, as described in the previous paragraph.

Other employee benefits*Pension scheme*

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

The Historical Financial Information is presented in RMB, which is different from the Company's functional currency, the United States dollar ("USD"). As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the Historical Financial Information. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration,

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued****2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Foreign currencies—continued

the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

**3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Group's Historical Financial Information requires management to make Judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following Judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information:

Acquisition of subsidiaries that are not a business

IFRS 3 requires an entity to determine whether a transaction or event is a business combination which requires that the assets acquired and liabilities assumed constitute a business. During the relevant periods, the Group acquired certain equity interests of companies from independent third parties as detailed in note 36 to the Historical Financial Information. The Group determined that those activities and assets of equity interests of companies acquired didn't constitute business on the acquisition date. The transaction was then accounted for as an asset acquisition.

Consolidation of affiliated entities

The Group obtained control over certain PRC domestic companies as detailed in note 2.1 by entering into a series of the Contractual Arrangements with the PRC domestic companies and its shareholders.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES—continued

Consolidation of affiliated entities—continued

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the PRC domestic companies and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC domestic company. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among WFOE companies, PRC domestic companies and its shareholders are in compliance with the relevant PRC laws and are legally enforceable.

Estimation uncertainty

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

*Provision for expected credit losses on trade receivables and contract assets*

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each Relevant Periods, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision for ECLs is sensitive to changes in estimates. The information about the ECLs and the Group's trade receivables and contract assets are disclosed in note 23 and note 24 to the Historical Financial Information.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amounts of trade and bills receivables amounted to RMB38,717,000 (net of allowance for ECLs of RMB1,395,000), RMB44,602,000 (net of loss allowance for ECLs of RMB5,756,000), RMB171,195,000 (net of loss allowance for ECLs of RMB8,673,000) and RMB258,035,000 (net of loss allowance for ECLs of RMB13,019,000), respectively.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amounts of contract assets amounted to RMB50,375,000 (net of allowance for ECLs of RMB1,498,000), RMB73,438,000 (net of loss allowance for ECLs of RMB2,468,000), RMB103,266,000 (net of loss allowance for ECLs of RMB3,747,000) and RMB110,727,000 (net of loss allowance for ECLs of RMB5,166,000), respectively.

*Inventories*

The Group assesses periodically if cost of inventories may not be recoverable based on an assessment of the net realizable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories, the net realizable value has been determined based on the contracted selling price to be recognized less all estimated remaining costs to completion and costs necessary to

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued****3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES—continued**Estimation uncertainty—continued*Inventories—continued*

provide the service. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories in the year in which such estimate changes.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amounts of inventories were approximately RMB211,186,000, RMB279,931,000, RMB269,035,000 and RMB279,094,000 respectively (net of write-down of inventories of approximately RMB61,000, RMB3,340,000, RMB2,471,000 and RMB3,340,000, respectively).

*Useful lives and residual values of other intangible assets*

The Group's management determines the useful lives, residual values and related amortization charges for its other intangible assets. This estimate is based on the historical experience of the actual useful lives of other intangible assets of similar nature and functions and may vary significantly as a result of policy changes and keen competitions from competitors, resulting in higher amortization charge and/or write-off or write-down of technically obsolete assets when useful lives are less than previously estimated. The Group will increase the amortization charges where useful lives are less than previously estimated lives, or will write-off or write-down obsolete assets that have been abandoned or sold.

*Leases—estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available).

*Recognition of deferred tax assets*

Deferred tax assets are recognized in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

*Fair value of financial instruments*

The convertible redeemable preferred shares issued by the Group are not traded in an active market and the respective fair values are determined by using valuation techniques, including discounted cash flow model.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES—continued

Estimation uncertainty—continued*Fair value of financial instruments—continued*

The fair values of convertible redeemable preferred shares of the Group as at December 31, 2019, 2020, and 2021 and June 30, 2022 were RMB1,774,143,000, RMB3,618,732,000, RMB7,434,838,000 and RMB7,914,398,000, respectively. Further details are set out in note 31 to the Historical Financial Information.

*Impairment of non-financial assets (other than goodwill)*

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amounts of property, plant and equipment were RMB29,138,000, RMB26,660,000, RMB24,692,000 and RMB21,517,000, respectively.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amounts of other intangible assets were RMB45,695,000, RMB47,371,000, RMB61,525,000 and RMB60,055,000, respectively.

*Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at December 31, 2019, 2020 and 2021 and June 30, 2022 were RMB42,074,000, RMB42,074,000, RMB79,823,000 and RMB79,823,000, respectively and none of the impairment losses was recognized during the Relevant Periods. Details of the impairment testing are set out in note 18.



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

### 4. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

Specialty Pharmacy Business	Operation of specialty pharmacy stores and distribution of pharmaceutical products to pharmaceutical companies and other distributors.
Physician Research Assistance Business	Offering pharmaceutical companies and other clinical trial institutions site management organization services, including site feasibility, site initiation, patient recruitment, patient management, data entry and document management, on-site drug management and bio-sample management, site closure and others; offering services for image management in clinical trials and offering real-world study services.
Health Insurance Services Business	Rendering insurance brokerage services to insurance companies.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment gross profit. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

For the year ended December 31, 2019

	<b>Specialty Pharmacy Business</b>	<b>Physician Research Assistance Business</b>	<b>Health Insurance Services Business</b>	<b>Total</b>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Segment revenue	863,600	173,195	2,216	1,039,011
Segment results	<u>47,932</u>	<u>32,996</u>	<u>876</u>	<u>81,804</u>
<b>Reconciliation:</b>				
Other income and gains				7,004
Selling and marketing expenses				(116,032)
Administrative expenses				(219,462)
Research and development expenses				(24,850)
Impairment losses under ECL model				(1,845)
Change in fair value of convertible redeemable preferred shares				(320,092)
Other expenses				(256)
Finance costs				(2,877)
Share of profits and losses of an associate				586
Group's loss before tax				<u>(596,020)</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 4. SEGMENT INFORMATION—continued

For the year ended December 31, 2020

	Specialty Pharmacy Business	Physician Research Assistance Business	Health Insurance Services Business	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Segment revenue .....	2,482,006	185,652	31,989	2,699,647
Segment results .....	<u>135,775</u>	<u>39,399</u>	<u>11,686</u>	<u>186,860</u>
<b>Reconciliation:</b>				
Other income and gains .....				34,808
Selling and marketing expenses .....				(183,450)
Administrative expenses .....				(361,242)
Research and development expenses .....				(45,743)
Impairment losses under ECL model .....				(5,331)
Change in fair value of convertible redeemable preferred shares .....				(657,344)
Other expenses .....				(5,816)
Finance costs .....				(3,527)
Share of profits and losses of an associate .....				(65)
Group's loss before tax .....				<u>(1,040,850)</u>

For the year ended December 31, 2021

	Specialty Pharmacy Business	Physician Research Assistance Business	Health Insurance Services Business	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Segment revenue .....	3,136,484	244,857	92,589	3,473,930
Segment results .....	<u>185,444</u>	<u>44,859</u>	<u>53,146</u>	<u>283,449</u>
<b>Reconciliation:</b>				
Other income and gains .....				51,069
Selling and marketing expenses .....				(291,461)
Administrative expenses .....				(670,021)
Research and development expenses .....				(59,207)
Impairment losses under ECL model .....				(6,407)
Change in fair value of convertible redeemable preferred shares .....				(3,048,428)
Other expenses .....				(3,121)
Finance costs .....				(3,688)
Share of profits and losses of an associate .....				137
Group's loss before tax .....				<u>(3,747,678)</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 4. SEGMENT INFORMATION—continued

For the six months ended June 30, 2021 (unaudited)

	Specialty Pharmacy Business	Physician Research Assistance Business	Health Insurance Services Business	Total
	<u>RMB'000</u> (unaudited)	<u>RMB'000</u> (unaudited)	<u>RMB'000</u> (unaudited)	<u>RMB'000</u> (unaudited)
Segment revenue .....	1,407,134	102,133	40,777	1,550,044
Segment results .....	<u>84,719</u>	<u>13,636</u>	<u>20,127</u>	<u>118,482</u>
<b>Reconciliation:</b>				
Other income and gains .....				19,538
Selling and marketing expenses .....				(139,266)
Administrative expenses .....				(311,538)
Research and development expenses .....				(29,305)
Impairment losses under ECL model .....				(2,755)
Change in fair value of convertible redeemable preferred shares .....				(2,168,069)
Other expenses .....				(1,676)
Finance costs .....				(1,879)
Share of profits and losses of an associate .....				(342)
Group's loss before tax .....				<u>(2,516,810)</u>

For the six months ended June 30, 2022

	Specialty Pharmacy Business	Physician Research Assistance Business	Health Insurance Services Business	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Segment revenue .....	1,646,388	149,154	92,110	1,887,652
Segment results .....	<u>88,749</u>	<u>26,463</u>	<u>61,732</u>	<u>176,944</u>
<b>Reconciliation:</b>				
Other income and gains .....				22,351
Selling and marketing expenses .....				(160,614)
Administrative expenses .....				(252,329)
Research and development expenses .....				(34,286)
Impairment losses under ECL model .....				(5,003)
Change in fair value of convertible redeemable preferred shares .....				(85,101)
Other expenses .....				(4,528)
Finance costs .....				(1,956)
Share of profits and losses of an associate .....				81
Group's loss before tax .....				<u>(344,441)</u>

**Geographical information**

Nearly all of the Group's non-current assets were located in Mainland China. Almost all of the revenue of the Group is derived from operations in the PRC during the Relevant Periods and the six months ended June 30, 2021. No geographical segment information in accordance with IFRS 8 *Operating Segments* is presented.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 4. SEGMENT INFORMATION—continued

**Information about major customers**

No information about major customers is presented as there was no single customer from which over 10% or more of the Group's revenue was derived during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022.

## 5. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

## (a) Disaggregated revenue information

	Year ended December 31,	Year ended December 31,	Year ended December 31,	Six months ended June 30,	Six months ended June 30,
	2019	2020	2021	2021	2022
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u> (unaudited)	<u>RMB'000</u>
<b>Types of goods or services</b>					
Specialty Pharmacy Business . . . . .	863,600	2,482,006	3,136,484	1,407,134	1,646,388
Physician Research Assistance Business . . . . .	173,195	185,652	244,857	102,133	149,154
Health Insurance Services Business . . . . .	2,216	31,989	92,589	40,777	92,110
Total revenue from contracts with customers . . . . .	<u>1,039,011</u>	<u>2,699,647</u>	<u>3,473,930</u>	<u>1,550,044</u>	<u>1,887,652</u>
<b>Timing of revenue recognition</b>					
Recognized at a point in time . . . . .	865,816	2,513,995	3,229,073	1,447,911	1,738,498
Recognized over time . . . . .	173,195	185,652	244,857	102,133	149,154
Total revenue from contracts with customers . . . . .	<u>1,039,011</u>	<u>2,699,647</u>	<u>3,473,930</u>	<u>1,550,044</u>	<u>1,887,652</u>

The following table shows the amounts of revenue recognized in the Relevant Periods and the six months ended June 30, 2021 that were included in the contract liabilities at the beginning of the Relevant Periods and the six months ended June 30, 2021:

	Year ended December 31,	Year ended December 31,	Year ended December 31,	Six months ended June 30,	Six months ended June 30,
	2019	2020	2021	2021	2022
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u> (unaudited)	<u>RMB'000</u>
<b>Revenue recognized that was included in contract liabilities at the beginning of the reporting period: . . . . .</b>					
Specialty Pharmacy Business . . . . .	105	1,481	2,392	2,392	5,954
Physician Research Assistance Business . . . . .	19,371	39,880	57,572	30,931	77,068
Health Insurance Services Business . . . . .	8	151	17	17	—
	<u>19,484</u>	<u>41,512</u>	<u>59,981</u>	<u>33,340</u>	<u>83,022</u>

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 5. REVENUE—continued

An analysis of revenue is as follows—continued:

Revenue from contracts with customers—continued

## (b) Performance obligations

The aggregated amounts of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) are RMB487 million, RMB683 million, RMB992 million and RMB1,071 million as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as at the end of each of the Relevant Periods will be recognized as revenue within four years from the reporting date.

## 6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	<u>Year ended December 31,</u> <u>2019</u> <i>RMB'000</i>	<u>Year ended December 31,</u> <u>2020</u> <i>RMB'000</i>	<u>Year ended December 31,</u> <u>2021</u> <i>RMB'000</i>	<u>Six months ended June 30,</u> <u>2021</u> <i>RMB'000</i> (unaudited)	<u>Six months ended June 30,</u> <u>2022</u> <i>RMB'000</i>
<u>Other income</u>					
Government grants* . . . . .	55	24,236	9,219	1,650	2,472
Bank interest income . . . . .	<u>1,259</u>	<u>1,136</u>	<u>10,370</u>	<u>7,231</u>	<u>8,206</u>
<u>Gains</u>					
Foreign exchange differences, net . . .	600	—	3,952	4,004	8
Gains on financial assets at FVTPL . .	4,356	8,779	25,658	5,600	10,260
Gains on disposal of property, plant and equipment, net . . . . .	—	23	—	—	—
Gains on lease termination, net . . . . .	43	—	365	159	331
Others . . . . .	<u>691</u>	<u>634</u>	<u>1,505</u>	<u>894</u>	<u>1,074</u>
Other income and gains . . . . .	<u>7,004</u>	<u>34,808</u>	<u>51,069</u>	<u>19,538</u>	<u>22,351</u>

\* Government grants related to income that is received or receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs recognized in profit or loss in the period upon actual receipt.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Cost of inventories sold . . . . .	814,045	2,342,212	2,942,987	1,319,118	1,554,998
Cost of services provided . . . . .	143,162	170,575	247,494	112,444	155,710
Depreciation of property, plant and equipment (note 15)* . . . . .	8,331	13,563	14,316	7,232	6,693
Depreciation of right-of-use assets (note 17(a))* . . . . .	20,119	28,746	32,432	17,036	15,590
Amortization of other intangible assets (note 16)* . . . . .	1,557	5,402	7,134	3,186	4,187
Government grants . . . . .	(55)	(24,236)	(9,219)	(1,650)	(2,472)
Bank interest income . . . . .	(1,259)	(1,136)	(10,370)	(7,231)	(8,206)
Foreign exchange difference, net . . . .	(600)	12	(3,952)	(4,004)	(8)
Impairment losses under ECL model . . . . .	1,845	5,331	6,407	2,755	5,003
Auditor's remuneration of subsidiaries . . . . .	116	584	200	188	44
Expense relating to short-term leases . . . . .	1,520	1,769	3,265	1,880	1,829
Expense relating to leases of low-value assets . . . . .	2,642	2,235	2,733	1,204	1,302
Gains on financial assets at FVTPL . . . . .	(4,356)	(8,779)	(25,658)	(5,600)	(10,260)
Loss/(gain) on disposal of property, plant and equipment . . . . .	19	(23)	77	18	7
Listing expense . . . . .	—	—	28,783	8,761	12,114
	<u>987,086</u>	<u>2,536,255</u>	<u>3,236,629</u>	<u>1,455,337</u>	<u>1,736,531</u>
Staff cost (excluding directors' and chief executive's remuneration):					
—Wages and salaries . . . . .	310,912	404,800	581,953	268,469	321,186
—Pension scheme contributions . . . .	29,452	8,773	42,875	21,386	25,968
—Share-based payment compensation . . . . .	<u>20,509</u>	<u>67,285</u>	<u>181,033</u>	<u>94,142</u>	<u>63,274</u>

\* The depreciation of plant and equipment, depreciation of right-of-use assets and amortization of other intangible assets for the Relevant Periods and the six months ended June 30, 2021 are set out in "Administrative expenses" and "Selling and marketing expenses" in the consolidated statements of profit or loss and other comprehensive income.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31, <u>2019</u> <i>RMB'000</i>	Year ended December 31, <u>2020</u> <i>RMB'000</i>	Year ended December 31, <u>2021</u> <i>RMB'000</i>	Six months ended June 30, <u>2021</u> <i>RMB'000</i> (unaudited)	Six months ended June 30, <u>2022</u> <i>RMB'000</i>
Interest on lease liabilities (note 17(b)) .....	2,877	3,527	3,688	1,879	1,956

## 9. OTHER EXPENSES

	Year ended December 31, <u>2019</u> <i>RMB'000</i>	Year ended December 31, <u>2020</u> <i>RMB'000</i>	Year ended December 31, <u>2021</u> <i>RMB'000</i>	Six months ended June 30, <u>2021</u> <i>RMB'000</i> (unaudited)	Six months ended June 30, <u>2022</u> <i>RMB'000</i>
Impairment losses of inventories .....	61	3,279	2,389	1,447	2,699
Loss on disposal of property, plant and equipment .....	19	—	77	18	7
Donations to not-for-profit organisations .....	50	2,122	—	—	500
Foreign exchange difference, net .....	—	12	—	—	—
Others .....	126	403	655	211	1,322
	<u>256</u>	<u>5,816</u>	<u>3,121</u>	<u>1,676</u>	<u>4,528</u>

## 10. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods and the six months ended June 30, 2021, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended December 31, <u>2019</u> <i>RMB'000</i>	Year ended December 31, <u>2020</u> <i>RMB'000</i>	Year ended December 31, <u>2021</u> <i>RMB'000</i>	Six months ended June 30, <u>2021</u> <i>RMB'000</i> (unaudited)	Six months ended June 30, <u>2022</u> <i>RMB'000</i>
Fees .....	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind .....	5,544	5,386	3,295	1,517	1,516
Performance-related bonuses .....	100	—	—	—	—
Share-based payment compensation .....	1,229	46,710	117,649	49,825	42,388
Pension scheme contributions .....	177	28	85	42	43
	<u>7,050</u>	<u>52,124</u>	<u>121,029</u>	<u>51,384</u>	<u>43,947</u>

During the Relevant Periods, options were granted to directors of the Company in respect of their services to the Group, further details of which are set out in note 34 to the Historical Financial Information. The fair value of such share option award, which has been recognized in profit or loss

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 10. DIRECTORS' REMUNERATION—continued

immediately upon the date of grant or over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the six months ended June 30, 2021 is set out in the above directors' remuneration disclosures.

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment compensation	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended December 31, 2019</b>						
<b>Chief executive and executive directors:</b>						
Mr. Ma Xuguang (Note (a)) . . . . .	—	1,235	—	—	29	1,264
Mr. Li Ji (Note (b)) . . . . .	—	1,277	—	—	52	1,329
<b>Executive directors:</b>						
Mr. Li Dayong (Note (c)) . . . . .	—	762	—	238	38	1,038
Mr. Zhong Nengcong (Note (d)) . . . . .	—	1,146	50	451	24	1,671
Mr. Mou Jian (Note (e)) . . . . .	—	1,124	50	540	34	1,748
<b>Non-executive directors:</b>						
Ms. Lin Rui (Note (f)) . . . . .	—	—	—	—	—	—
Mr. Mu Yifei (Note (g)) . . . . .	—	—	—	—	—	—
Mr. Zhang Sai (Note (h)) . . . . .	—	—	—	—	—	—
Mr. Zhou Xuan (Note (i)) . . . . .	—	—	—	—	—	—
Mr. Yao Leiwen (Note (j)) . . . . .	—	—	—	—	—	—
	—	5,544	100	1,229	177	7,050
<b>Year ended December 31, 2020</b>						
<b>Chief executive and executive directors:</b>						
Mr. Ma Xuguang (Note (a)) . . . . .	—	1,752	—	—	19	1,771
Mr. Li Ji (Note (b)) . . . . .	—	1,528	—	35,701	4	37,233
<b>Executive directors:</b>						
Mr. Zhong Nengcong (Note (d)) . . . . .	—	1,087	—	6,204	2	7,293
Mr. Mou Jian (Note (e)) . . . . .	—	1,019	—	4,805	3	5,827
<b>Non-executive directors:</b>						
Ms. Lin Rui (Note (f)) . . . . .	—	—	—	—	—	—
Mr. Zhang Sai (Note (h)) . . . . .	—	—	—	—	—	—
Mr. Zhou Xuan (Note (i)) . . . . .	—	—	—	—	—	—
Mr. Yao Leiwen (Note (j)) . . . . .	—	—	—	—	—	—
Mr. Zhang Ziquan (Note (k)) . . . . .	—	—	—	—	—	—
	—	5,386	—	46,710	28	52,124
<b>Year ended December 31, 2021</b>						
<b>Chief executive and executive directors:</b>						
Mr. Ma Xuguang (Note (a)) . . . . .	—	1,755	—	30,503	30	32,288
Mr. Li Ji (Note (b)) . . . . .	—	1,540	—	87,146	55	88,741
<b>Non-executive directors:</b>						
Ms. Lin Rui (Note (f)) . . . . .	—	—	—	—	—	—
Mr. Yao Leiwen (Note (j)) . . . . .	—	—	—	—	—	—
Mr. Zhang Ziquan (Note (k)) . . . . .	—	—	—	—	—	—
	—	3,295	—	117,649	85	121,029



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 10. DIRECTORS' REMUNERATION—continued

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment compensation	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Six months ended June 30, 2021</b>						
<b>(unaudited)</b>						
<b>Chief executive and executive directors:</b>						
Mr. Ma Xuguang (Note (a)) . . . . .	—	811	—	6,757	15	7,583
Mr. Li Ji (Note (b)) . . . . .	—	706	—	43,068	27	43,801
<b>Non-executive directors:</b>						
Ms. Lin Rui (Note (f)) . . . . .	—	—	—	—	—	—
Mr. Yao Leiwen (Note (j)) . . . . .	—	—	—	—	—	—
Mr. Zhang Ziquan (Note (k)) . . . . .	—	—	—	—	—	—
	—	<u>1,517</u>	—	<u>49,825</u>	<u>42</u>	<u>51,384</u>
<b>Six months ended June 30, 2022</b>						
<b>Chief executive and executive directors:</b>						
Mr. Ma Xuguang (Note (a)) . . . . .	—	815	—	14,820	15	15,650
Mr. Li Ji (Note (b)) . . . . .	—	701	—	27,568	28	28,297
<b>Non-executive directors:</b>						
Mr. Yao Leiwen (Note (j)) . . . . .	—	—	—	—	—	—
Mr. Zhang Ziquan (Note (k)) . . . . .	—	—	—	—	—	—
	—	<u>1,516</u>	—	<u>42,388</u>	<u>43</u>	<u>43,947</u>

*Notes:*

- (a) Mr. Ma Xuguang was appointed as an executive director of the Company, chairman of the Board and chief executive officer with effect from May 19, 2015.
- (b) Mr. Li Ji was appointed as an executive director of the Company and president with effect from August 17, 2015.
- (c) Mr. Li Dayong was appointed as an executive director of the Company with effect from June 15, 2016 and was removed from the list of the directors of the Company on October 29, 2019 due to his physical condition. Mr. Li Dayong has confirmed that there had been no disagreement between him and the Company during his tenure as a director of the Company.
- (d) Mr. Zhong Nengcong was appointed as an executive director of the Company with effect from August 10, 2018 and was removed from the list of the directors of the Company on December 11, 2020. Mr. Zhong Nengcong's remuneration was RMB146,000 after he was removed from the list of the directors of the Company in December 2020.
- (e) Mr. Mou Jian was appointed as an executive director of the Company with effect from December 1, 2018 and was removed from the list of the directors of the Company on December 11, 2020. Mr. Mou Jian's remuneration was RMB136,000 after he was removed from the list of the directors of the Company in December 2020.
- (f) Ms. Lin Rui was appointed as a non-executive director of the Company with effect from August 17, 2015 and was removed from the list of the directors of the Company on June 11, 2021.
- (g) Mr. Mu Yifei was appointed as a non-executive director of the Company with effect from June 15, 2016 and was removed from the list of the directors of the Company on October 29, 2019.
- (h) Mr. Zhang Sai was appointed as a non-executive director of the Company with effect from August 10, 2018 and was removed from the list of the directors of the Company on December 11, 2020.
- (i) Mr. Zhou Xuan was appointed as a non-executive director of the Company with effect from December 1, 2018 and was removed from the list of the directors of the Company on December 11, 2020.
- (j) Mr. Yao Leiwen was appointed as a director of the Company with effect from October 29, 2019 and was re-designated as a non-executive director of the Company in July 2021.
- (k) Mr. Zhang Ziquan was appointed as a director of the Company with effect from December 11, 2020 and was re-designated as a non-executive director of the Company in July 2021.

## 11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 included nil, three, two, one and two directors of the

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 11. FIVE HIGHEST PAID EMPLOYEES—continued

Company, respectively, details of whose remuneration are set out in Note 10 to the Historical Financial Information above. Details of the remuneration for the five highest paid employees during the Relevant Periods and the six months ended June 30, 2021 are as follows:

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u> (unaudited)	<u>RMB'000</u>
Salaries, allowances and benefits in kind .....	4,745	6,925	7,401	3,479	3,455
Performance-related bonuses .....	715	891	166	167	166
Share-based payment compensation .....	3,719	96,122	225,501	106,190	77,521
Pension scheme contributions .....	102	13	166	82	88
	<u>9,281</u>	<u>103,951</u>	<u>233,234</u>	<u>109,918</u>	<u>81,230</u>

The emoluments of the five highest paid individuals were within the following bands:

	Number of employees				
	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u> (unaudited)	<u>RMB'000</u>
HK\$110,000,001 to HK\$110,500,000 .....	—	—	1	—	—
HK\$106,500,001 to HK\$107,000,000 .....	—	—	1	—	—
HK\$61,500,001 to HK\$62,000,000 .....	—	—	—	1	—
HK\$52,500,001 to HK\$53,000,000 .....	—	—	—	1	—
HK\$50,500,001 to HK\$51,000,000 .....	—	1	—	—	—
HK\$41,500,001 to HK\$42,000,000 .....	—	1	—	—	—
HK\$38,500,001 to HK\$39,000,000 .....	—	—	1	—	—
HK\$34,000,001 to HK\$34,500,000 .....	—	—	—	—	1
HK\$30,000,001 to HK\$30,500,000 .....	—	—	—	—	1
HK\$18,500,001 to HK\$19,000,000 .....	—	—	—	—	1
HK\$15,500,001 to HK\$16,000,000 .....	—	—	1	—	—
HK\$9,500,001 to HK\$10,000,000 .....	—	—	1	—	—
HK\$9,000,001 to HK\$9,500,000 .....	—	1	—	1	1
HK\$8,000,001 to HK\$8,500,000 .....	—	1	—	—	—
HK\$6,500,001 to HK\$7,000,000 .....	—	1	—	—	—
HK\$5,000,001 to HK\$5,500,000 .....	—	—	—	—	1
HK\$4,500,001 to HK\$5,000,000 .....	—	—	—	1	—
HK\$3,000,001 to HK\$3,500,000 .....	—	—	—	1	—
HK\$2,000,001 to HK\$2,500,000 .....	5	—	—	—	—

During the Relevant Periods, share options were granted to certain highest paid employees in respect of their services and contributions to the Group, further details of which are set out in note 34 to the Historical Financial Information. The fair value of such options, which has been recognized in profit or loss immediately upon the date of grant or over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the six months ended June 30, 2021 is included in the above highest paid employees' remuneration disclosures.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued****12. INCOME TAX**

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

**Cayman Islands**

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains.

**Hong Kong**

On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group’s Hong Kong subsidiaries with estimated assessable profits for its annual reporting periods ended on or after April 1, 2018.

**Mainland China**

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% during the Relevant Periods and the six months ended June 30, 2021 unless subject to tax concession set out below.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u> (unaudited)	<u>RMB'000</u>
Loss before tax . . . . .	(596,020)	(1,040,850)	(3,747,678)	(2,516,810)	(344,441)
Tax at the applicable tax rate of 25% . . . . .	(149,005)	(260,213)	(936,920)	(629,203)	(86,110)
Expenses not deductible for tax . . . . .	18,337	38,365	89,339	34,598	31,805
Different tax rates enacted by local authority . . . . .	73,314	151,197	762,107	543,438	21,275
Deductible temporary differences and tax losses not recognized or utilized . . . . .	57,405	71,830	86,299	51,129	34,576
Tax charge at the Group’s effective tax rate for the year/period . . . . .	<u>51</u>	<u>1,179</u>	<u>825</u>	<u>(38)</u>	<u>1,546</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 12. INCOME TAX—continued

Deferred tax assets have not been recognized in respect of the following items:

	<u>As at December 31, 2019</u>	<u>As at December 31, 2020</u>	<u>As at December 31, 2021</u>	<u>As at June 30, 2021</u>	<u>As at June 30, 2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Tax losses . . . . .	367,716	645,093	991,078	836,439	1,123,404
Deductible temporary differences . . .	4,782	14,726	13,935	27,894	19,915
	<u>372,498</u>	<u>659,819</u>	<u>1,005,013</u>	<u>864,333</u>	<u>1,143,319</u>

The Group has accumulated tax losses of RMB367,716,000, RMB645,093,000, RMB991,078,000 and RMB1,123,404,000 as at the end of each of the Relevant Periods. The tax losses in the PRC can be carried forward for five years to offset future taxable profit. The tax losses of those companies in the PRC will expire in one to five years for offsetting against taxable profits.

Deferred tax assets have not been recognized in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

## 13. DIVIDEND

No dividend has been paid or declared by the Company during the Relevant Periods.

## 14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Relevant Periods and the six months ended June 30, 2021. The calculation of weighted average number of ordinary shares has excluded the treasury shares held in trust of the Company as detailed in note 32. As the impact of the share option scheme and the conversion of preferred shares had an anti-dilutive effect on the basic loss per share amounts presented, no adjustment has been made on the basic loss per share amounts presented for the Relevant Periods and the six months ended June 30, 2021.

The calculation of basic loss per share is based on:

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2021</u>	<u>Six months ended June 30, 2021</u>	<u>Six months ended June 30, 2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
<b>Loss</b>					
Loss attributable to ordinary equity holders of the parent (RMB'000) . . . . .	(594,595)	(1,042,781)	(3,740,455)	(2,510,065)	(346,327)
<b>Ordinary shares</b>					
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation . . . . .	100,000,000	100,000,000	99,449,315	99,906,077	99,000,000
Loss per share (RMB per share) . . . . .	<u>(5.95)</u>	<u>(10.43)</u>	<u>(37.61)</u>	<u>(25.12)</u>	<u>(3.50)</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 15. PROPERTY, PLANT AND EQUIPMENT

	<u>Electronic equipment</u> <i>RMB'000</i>	<u>Furniture and fixtures</u> <i>RMB'000</i>	<u>Motor vehicles</u> <i>RMB'000</i>	<u>Leasehold improvements</u> <i>RMB'000</i>	<u>Construction in progress</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
<b>December 31, 2019</b>						
At January 1, 2019:						
Cost . . . . .	3,583	3,480	—	17,077	1,695	25,835
Accumulated depreciation . . . . .	(1,603)	(220)	—	(2,455)	—	(4,278)
Net carrying amount . . . . .	<u>1,980</u>	<u>3,260</u>	<u>—</u>	<u>14,622</u>	<u>1,695</u>	<u>21,557</u>
At January 1, 2019, net of						
accumulated depreciation . . . . .	1,980	3,260	—	14,622	1,695	21,557
Additions . . . . .	1,371	4,861	155	7,173	1,265	14,825
Disposals . . . . .	(29)	—	—	—	—	(29)
Transfer . . . . .	—	—	—	668	(668)	—
Acquisition of subsidiaries (notes 35, 36) . . . . .	248	191	145	532	—	1,116
Depreciation provided during the year . . . . .	(922)	(731)	(32)	(6,646)	—	(8,331)
At December 31, 2019, net of accumulated depreciation . . . . .	<u>2,648</u>	<u>7,581</u>	<u>268</u>	<u>16,349</u>	<u>2,292</u>	<u>29,138</u>
At December 31, 2019:						
Cost . . . . .	5,464	9,935	507	25,780	2,292	43,978
Accumulated depreciation . . . . .	(2,816)	(2,354)	(239)	(9,431)	—	(14,840)
Net carrying amount . . . . .	<u>2,648</u>	<u>7,581</u>	<u>268</u>	<u>16,349</u>	<u>2,292</u>	<u>29,138</u>
	<u>Electronic equipment</u> <i>RMB'000</i>	<u>Furniture and fixtures</u> <i>RMB'000</i>	<u>Motor vehicles</u> <i>RMB'000</i>	<u>Leasehold improvements</u> <i>RMB'000</i>	<u>Construction in progress</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
<b>December 31, 2020</b>						
At January 1, 2020:						
Cost . . . . .	5,464	9,935	507	25,780	2,292	43,978
Accumulated depreciation . . . . .	(2,816)	(2,354)	(239)	(9,431)	—	(14,840)
Net carrying amount . . . . .	<u>2,648</u>	<u>7,581</u>	<u>268</u>	<u>16,349</u>	<u>2,292</u>	<u>29,138</u>
At January 1, 2020, net of						
accumulated depreciation . . . . .	2,648	7,581	268	16,349	2,292	29,138
Additions . . . . .	1,153	1,370	332	8,413	—	11,268
Disposals . . . . .	(77)	(240)	—	—	—	(317)
Transfer . . . . .	—	—	—	2,292	(2,292)	—
Acquisition of subsidiaries (note 36) . . . . .	134	—	—	—	—	134
Depreciation provided during the year . . . . .	(1,202)	(1,711)	(147)	(10,503)	—	(13,563)
At December 31, 2020, net of accumulated depreciation . . . . .	<u>2,656</u>	<u>7,000</u>	<u>453</u>	<u>16,551</u>	<u>—</u>	<u>26,660</u>
At December 31, 2020:						
Cost . . . . .	6,905	11,066	839	36,485	—	55,295
Accumulated depreciation . . . . .	(4,249)	(4,066)	(386)	(19,934)	—	(28,635)
Net carrying amount . . . . .	<u>2,656</u>	<u>7,000</u>	<u>453</u>	<u>16,551</u>	<u>—</u>	<u>26,660</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 15. PROPERTY, PLANT AND EQUIPMENT—continued

	Electronic equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>December 31, 2021</b>						
At January 1, 2021:						
Cost . . . . .	6,905	11,066	839	36,485	—	55,295
Accumulated depreciation . . . . .	(4,249)	(4,066)	(386)	(19,934)	—	(28,635)
Net carrying amount . . . . .	<u>2,656</u>	<u>7,000</u>	<u>453</u>	<u>16,551</u>	<u>—</u>	<u>26,660</u>
At January 1, 2021, net of						
accumulated depreciation . . . . .	2,656	7,000	453	16,551	—	26,660
Additions . . . . .	1,729	2,089	347	10,583	341	15,089
Disposals . . . . .	(99)	(278)	(248)	(2,234)	—	(2,859)
Acquisition of subsidiaries (notes 35, 36) . . . . .	110	8	—	—	—	118
Depreciation provided during the year . . . . .	(1,495)	(2,003)	(186)	(10,632)	—	(14,316)
At December 31, 2021, net of accumulated depreciation . . . . .	<u>2,901</u>	<u>6,816</u>	<u>366</u>	<u>14,268</u>	<u>341</u>	<u>24,692</u>
At December 31, 2021:						
Cost . . . . .	7,234	12,778	936	42,975	341	64,264
Accumulated depreciation . . . . .	(4,333)	(5,962)	(570)	(28,707)	—	(39,572)
Net carrying amount . . . . .	<u>2,901</u>	<u>6,816</u>	<u>366</u>	<u>14,268</u>	<u>341</u>	<u>24,692</u>
<b>June 30, 2022</b>						
At January 1, 2022:						
Cost . . . . .	7,234	12,778	936	42,975	341	64,264
Accumulated depreciation . . . . .	(4,333)	(5,962)	(570)	(28,707)	—	(39,572)
Net carrying amount . . . . .	<u>2,901</u>	<u>6,816</u>	<u>366</u>	<u>14,268</u>	<u>341</u>	<u>24,692</u>
At January 1, 2022, net of						
accumulated depreciation . . . . .	2,901	6,816	366	14,268	341	24,692
Additions . . . . .	727	292	87	1,935	725	3,766
Disposals . . . . .	(52)	(194)	(2)	—	—	(248)
Transfer . . . . .	—	—	—	670	(670)	—
Depreciation provided during the period . . . . .	(628)	(1,089)	(82)	(4,894)	—	(6,693)
At June 30, 2022, net of accumulated depreciation . . . . .	<u>2,948</u>	<u>5,825</u>	<u>369</u>	<u>11,979</u>	<u>396</u>	<u>21,517</u>
At June 30, 2022:						
Cost . . . . .	7,810	12,815	1,021	45,579	396	67,621
Accumulated depreciation . . . . .	(4,862)	(6,990)	(652)	(33,600)	—	(46,104)
Net carrying amount . . . . .	<u>2,948</u>	<u>5,825</u>	<u>369</u>	<u>11,979</u>	<u>396</u>	<u>21,517</u>

At the end of each of the Relevant Periods, no property, plant and equipment of the Group was pledged.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 16. OTHER INTANGIBLE ASSETS

	<u>Software</u> <u>RMB'000</u>	<u>Licenses</u> <u>RMB'000</u>	<u>Total</u> <u>RMB'000</u>
<b>December 31, 2019</b>			
Cost at January 1, 2019, net of accumulated amortization	591	2,517	3,108
Additions	641	—	641
Acquisition of subsidiaries (notes 35, 36)	45	43,458	43,503
Amortization during the year	(313)	(1,244)	(1,557)
At December 31, 2019	<u>964</u>	<u>44,731</u>	<u>45,695</u>
At December 31, 2019			
Cost	1,382	46,131	47,513
Accumulated amortization	(418)	(1,400)	(1,818)
Net carrying amount	<u>964</u>	<u>44,731</u>	<u>45,695</u>
<b>December 31, 2020</b>			
Cost at January 1, 2020, net of accumulated amortization	964	44,731	45,695
Additions	2,722	—	2,722
Acquisition of subsidiaries (note 36)	—	4,356	4,356
Amortization during the year	(555)	(4,847)	(5,402)
At December 31, 2020	<u>3,131</u>	<u>44,240</u>	<u>47,371</u>
At December 31, 2020			
Cost	4,097	50,487	54,584
Accumulated amortization	(966)	(6,247)	(7,213)
Net carrying amount	<u>3,131</u>	<u>44,240</u>	<u>47,371</u>
<b>December 31, 2021</b>			
Cost at January 1, 2021, net of accumulated amortization	3,131	44,240	47,371
Additions	9,662	—	9,662
Acquisition of subsidiaries (notes 35, 36)	5	15,521	15,526
Disposals	(16)	(3,884)	(3,900)
Amortization during the year	(1,603)	(5,531)	(7,134)
At December 31, 2021	<u>11,179</u>	<u>50,346</u>	<u>61,525</u>
At December 31, 2021			
Cost	13,488	61,825	75,313
Accumulated amortization	(2,309)	(11,479)	(13,788)
Net carrying amount	<u>11,179</u>	<u>50,346</u>	<u>61,525</u>
<b>June 30, 2022</b>			
Cost at January 1, 2022, net of accumulated amortization	11,179	50,346	61,525
Additions	2,717	—	2,717
Amortization during the period	(1,096)	(3,091)	(4,187)
At June 30, 2022	<u>12,800</u>	<u>47,255</u>	<u>60,055</u>
At June 30, 2022			
Cost	16,205	61,826	78,031
Accumulated amortization	(3,405)	(14,571)	(17,976)
Net carrying amount	<u>12,800</u>	<u>47,255</u>	<u>60,055</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 17. LEASES

The Group as a lessee

During the Relevant Periods, the Group entered into certain long-term lease contracts for buildings which generally have lease terms between one and nine years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

## (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	<b><u>Buildings</u></b>
	<b><u>RMB'000</u></b>
As at January 1, 2019 .....	46,623
Additions .....	40,124
Acquisition of subsidiaries (notes 35, 36) .....	4,948
Termination .....	(1,981)
Depreciation charge .....	<u>(20,119)</u>
As at December 31, 2019 .....	<u>69,595</u>
	<b><u>Buildings</u></b>
	<b><u>RMB'000</u></b>
As at January 1, 2020 .....	69,595
Additions .....	20,668
Acquisition of subsidiaries (note 36) .....	1,732
Depreciation charge .....	<u>(28,746)</u>
As at December 31, 2020 .....	<u>63,249</u>
	<b><u>Buildings</u></b>
	<b><u>RMB'000</u></b>
As at January 1, 2021 .....	63,249
Additions .....	64,033
Acquisition of subsidiaries (notes 35, 36) .....	6,320
Termination .....	(3,211)
Disposal of subsidiaries .....	(8,851)
Depreciation charge .....	<u>(32,432)</u>
As at December 31, 2021 .....	<u>89,108</u>
	<b><u>Buildings</u></b>
	<b><u>RMB'000</u></b>
As at January 1, 2022 .....	89,108
Additions .....	11,199
Termination .....	(3,037)
Depreciation charge .....	<u>(15,590)</u>
As at June 30, 2022 .....	<u>81,680</u>



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 17. LEASES—continued

The Group as a lessee—continued

## (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	Year ended December 31, 2019 <u>RMB'000</u>	Year ended December 31, 2020 <u>RMB'000</u>	Year ended December 31, 2021 <u>RMB'000</u>	Six months ended June 30, 2022 <u>RMB'000</u>
Carrying amount at the beginning of the year/ period . . . . .	42,971	66,392	63,587	87,018
New leases . . . . .	40,124	20,668	64,033	11,199
Acquisition of subsidiaries (notes 35, 36) . . . . .	4,734	2,146	6,261	—
Accretion of interest recognized during the year/ period . . . . .	2,877	3,527	3,688	1,956
Payments . . . . .	(22,290)	(29,146)	(38,221)	(14,186)
Termination . . . . .	(2,024)	—	(3,576)	(3,368)
Disposal of subsidiaries . . . . .	—	—	(8,754)	—
Carrying amount at the end of the year/period . . . .	<u>66,392</u>	<u>63,587</u>	<u>87,018</u>	<u>82,619</u>
Analyzed into:				
Current portion . . . . .	21,428	26,682	34,123	34,931
Non-current portion . . . . .	<u>44,964</u>	<u>36,905</u>	<u>52,895</u>	<u>47,688</u>

The maturity analysis of lease liabilities is disclosed in note 43 to the Historical Financial Information.

## (c) The amounts recognized in profit or loss in relation to leases are as follows:

	Year ended December 31, 2019 <u>RMB'000</u>	Year ended December 31, 2020 <u>RMB'000</u>	Year ended December 31, 2021 <u>RMB'000</u>	Six months ended June 30, 2022 <u>RMB'000</u>
Interest on lease liabilities . . . . .	2,877	3,527	3,688	1,956
Depreciation charge of right-of-use assets . . . . .	20,119	28,746	32,432	15,590
Gains on lease termination, net . . . . .	(43)	—	(365)	(331)
Expense relating to short-term leases* . . . . .	1,520	1,769	3,265	1,829
Expense relating to leases of low-value assets* . . . .	<u>2,642</u>	<u>2,235</u>	<u>2,733</u>	<u>1,302</u>
Total amount recognized in profit or loss . . . . .	<u>27,115</u>	<u>36,277</u>	<u>41,753</u>	<u>20,346</u>

\* Included in “Administrative expenses” and “Selling and marketing expenses” in the consolidated statements of profit or loss and other comprehensive income.

## (d) The total cash outflow for leases is set out in note 38 to the Historical Financial Information.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 18. GOODWILL

	<u>As at December 31, 2019</u>	<u>As at December 31, 2020</u>	<u>As at December 31 2021</u>	<u>As at June 30 2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>Cost</b>				
At the beginning of year/period . . . . .	—	42,074	42,074	79,823
Acquisition of subsidiaries (note 35) . . . . .	42,074	—	37,749	—
At the end of year/period . . . . .	<u>42,074</u>	<u>42,074</u>	<u>79,823</u>	<u>79,823</u>
<b>Carrying amount</b>				
At the end of year/period . . . . .	<u>42,074</u>	<u>42,074</u>	<u>79,823</u>	<u>79,823</u>

On July 31, 2019, goodwill of RMB13,374,000 arose from the acquisition of Taiyuan Taikang Xinte Pharmacy Co., Ltd. 太原泰康新特大藥房有限公司 (“Taiyuan Taikang”) as detailed in note 35 to the Historical Financial Information.

On November 30, 2019, goodwill of RMB28,700,000 arose from the acquisition of Shenyang Sanheyuan Pharmacy Co., Ltd. 瀋陽三合緣藥房有限公司 (“Shenyang Sanheyuan”) as detailed in note 35 to the Historical Financial Information.

On December 31, 2021, goodwill of RMB37,749,000 arose from the acquisition of Beijing Renbo Pharmacy Co., Ltd. 北京仁博大藥房有限責任公司 (“Beijing Renbo”) as detailed in note 35 to the Historical Financial Information.

The carrying amounts of goodwill allocated to these cash-generating units (the “CGU”s) are as follows:

	<u>As at December 31, 2019</u>	<u>As at December 31, 2020</u>	<u>As at December 31, 2021</u>	<u>As at June 30, 2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Taiyuan Taikang . . . . .	13,374	13,374	13,374	13,374
Shenyang Sanheyuan . . . . .	28,700	28,700	28,700	28,700
Beijing Renbo . . . . .	—	—	37,749	37,749
	<u>42,074</u>	<u>42,074</u>	<u>79,823</u>	<u>79,823</u>

Goodwill is tested by management for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The acquisition date of Beijing Renbo was December 31, 2021, thus no further impairment assessment for Beijing Renbo was performed by management as of December 31, 2021. The recoverable amount of the CGUs has been determined based on a value in use (“VIU”) calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Other key assumptions for the VIU calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on management’s expectations for the market development.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 18. GOODWILL—continued

The recoverable amount of the CGUs exceeding their carrying amount is as follows:

	<u>As at December 31,</u> <u>2019</u>	<u>As at December 31,</u> <u>2020</u>	<u>As at December 31,</u> <u>2021</u>	<u>As at June 30,</u> <u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Taiyuan Taikang .....	2,451	4,483	5,547	3,428
Shenyang Sanheyuan .....	6,223	11,273	5,377	5,367
Beijing Renbo .....	—	—	—	3,926
	<u>8,674</u>	<u>15,756</u>	<u>10,924</u>	<u>12,721</u>

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	<u>Taiyuan Taikang</u>	<u>Shenyang Sanheyuan</u>	<u>Beijing Renbo</u>
<b>December 31, 2019</b>			
Pre-tax discount rate .....	22.16%	22.19%	N/A
Revenue (% compound growth rate) .....	18.50%	16.27%	N/A
Terminal growth rate .....	<u>3.00%</u>	<u>3.00%</u>	<u>N/A</u>
<b>December 31, 2020</b>			
Pre-tax discount rate .....	22.73%	22.71%	N/A
Revenue (% compound growth rate) .....	14.23%	12.29%	N/A
Terminal growth rate .....	<u>3.00%</u>	<u>3.00%</u>	<u>N/A</u>
<b>December 31, 2021</b>			
Pre-tax discount rate .....	23.06%	22.50%	N/A
Revenue (% compound growth rate) .....	14.67%	13.23%	N/A
Terminal growth rate .....	<u>2.30%</u>	<u>2.30%</u>	<u>N/A</u>
<b>June 30, 2022</b>			
Pre-tax discount rate .....	22.82%	22.66%	21.73%
Revenue (% compound growth rate) .....	14.26%	13.21%	12.55%
Terminal growth rate .....	<u>2.30%</u>	<u>2.30%</u>	<u>2.30%</u>

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

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

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

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 18. GOODWILL—continued

Management of the Company has performed sensitivity test by decreasing 1% of expected revenue, decreasing 1% of terminal growth rate or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amount by which each CGU's recoverable amount above its carrying amount (headroom) are as below:

	<u>Taiyuan Taikang</u>	<u>Shenyang Sanheyuan</u>	<u>Beijing Renbo</u>
<b>December 31, 2019</b>			
Headroom .....	2,451	6,223	N/A
Impact by decreasing expected revenue .....	(297)	(672)	N/A
Impact by decreasing terminal growth rate .....	(1,424)	(3,205)	N/A
Impact by increasing pre-tax discount rate .....	<u>(2,016)</u>	<u>(4,522)</u>	<u>N/A</u>
<b>December 31, 2020</b>			
Headroom .....	4,483	11,273	N/A
Impact by decreasing expected revenue .....	(504)	(1,459)	N/A
Impact by decreasing terminal growth rate .....	(1,335)	(3,069)	N/A
Impact by increasing pre-tax discount rate .....	<u>(1,937)</u>	<u>(4,430)</u>	<u>N/A</u>
<b>December 31, 2021</b>			
Headroom .....	5,547	5,377	N/A
Impact by decreasing expected revenue .....	(496)	(1,403)	N/A
Impact by decreasing terminal growth rate .....	(1,292)	(3,038)	N/A
Impact by increasing pre-tax discount rate .....	<u>(2,034)</u>	<u>(4,874)</u>	<u>N/A</u>
<b>June 30, 2022</b>			
Headroom .....	3,428	5,367	3,926
Impact by decreasing expected revenue .....	(548)	(1,362)	(71)
Impact by decreasing terminal growth rate .....	(1,353)	(3,216)	(2,438)
Impact by increasing pre-tax discount rate .....	<u>(2,035)</u>	<u>(5,048)</u>	<u>(3,479)</u>

Except for these, any reasonable possible changes in the other assumptions used in the value in use calculation would not affect management's view on impairment as at the end of each of the Relevant Periods.

Based on the impairment assessment conducted by the Group utilizing the above key assumptions, the recoverable amount of the CGUs estimated from the cash flow forecast exceeded the carrying amount of goodwill and no impairment was considered necessary.

The values assigned to the key assumptions on discount rate and growth rate are consistent with external information sources.

## 19. INVESTMENTS IN SUBSIDIARIES

The Company

	<u>As at December 31, 2019</u>	<u>As at December 31, 2020</u>	<u>As at December 31, 2021</u>	<u>As at June 30, 2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Investment in subsidiaries .....	<u>1,237,029</u>	<u>2,730,550</u>	<u>3,546,313</u>	<u>3,609,588</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 19. INVESTMENTS IN SUBSIDIARIES—continued

The investment cost in subsidiaries includes capital contribution by the Company to the subsidiaries and the share-based payments in respect of the share options granted by the Company to certain employees of the subsidiaries for employees' service rendered to the subsidiaries under the Company's 2017 Share Option Plan as set out in note 34 to the Historical Financial Information. Since the Company grants options award directly to the employees of subsidiaries and settles it in its own equity, the share-based payment compensation related to those employees of subsidiaries are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subsidiaries.

## 20. FINANCIAL ASSETS AT FVTPL

The Group

	<u>As at December 31, 2019</u>	<u>As at December 31, 2020</u>	<u>As at December 31, 2021</u>	<u>As at June 30, 2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Monetary fund . . . . .	84,637	3	—	—
Wealth management products . . . . .	306,638	38,057	1,067,321	—
	<u>391,275</u>	<u>38,060</u>	<u>1,067,321</u>	<u>—</u>

The Company

	<u>As at December 31, 2019</u>	<u>As at December 31, 2020</u>	<u>As at December 31, 2021</u>	<u>As at June 30, 2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Monetary fund . . . . .	76,020	3	—	—

As at December 31, 2019, 2020 and 2021, the financial assets at FVTPL represented floating return monetary fund and wealth management products issued by certain banks, with expected return rates ranging from 1.40% to 4.90% per annum.

## 21. INVENTORIES

	<u>As at December 31, 2019</u>	<u>As at December 31, 2020</u>	<u>As at December 31, 2021</u>	<u>As at June 30, 2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trading merchandise . . . . .	211,247	283,271	271,506	282,434
Less: Provision for impairment . . . . .	(61)	(3,340)	(2,471)	(3,340)
	<u>211,186</u>	<u>279,931</u>	<u>269,035</u>	<u>279,094</u>

The cost of inventories included in cost of sales as at December 31, 2019, 2020 and 2021 and June 30, 2022 amounted to RMB814,045,000, RMB2,342,212,000, RMB2,942,987,000 and RMB1,554,998,000.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 21. INVENTORIES—continued

Movements in provision for impairment of inventories are as follows:

	<u>As at December 31, 2019</u>	<u>As at December 31, 2020</u>	<u>As at December 31, 2021</u>	<u>As at June 30, 2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
As at January 1 .....	—	61	3,340	2,471
Provision for the year/period .....	61	3,279	2,389	2,699
Write-off for the year/period .....	—	—	(3,258)	(1,830)
As at December 31/June 30 .....	<u>61</u>	<u>3,340</u>	<u>2,471</u>	<u>3,340</u>

## 22. CASH HELD ON BEHALF OF CLIENTS

	<u>As at December 31, 2019</u>	<u>As at December 31, 2020</u>	<u>As at December 31, 2021</u>	<u>As at June 30, 2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Cash held on behalf of clients .....	<u>8,179</u>	<u>145,624</u>	<u>166,179</u>	<u>288,131</u>

The balance represents the premiums collected by the Group on behalf of insurance companies from the insurance consumers in a fiduciary capacity until it is disbursed to the insurance carriers.

## 23. TRADE AND BILLS RECEIVABLES

	<u>As at December 31, 2019</u>	<u>As at December 31, 2020</u>	<u>As at December 31, 2021</u>	<u>As at June 30, 2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Bills receivables .....	—	—	4,607	1,295
Trade receivables .....	40,112	50,358	175,261	269,759
Less: Allowance for credit losses .....	(1,395)	(5,756)	(8,673)	(13,019)
	<u>38,717</u>	<u>44,602</u>	<u>171,195</u>	<u>258,035</u>

The Group's trading terms with its customers are mainly on credit, except for individual customers, where payment in advance is normally required. The credit period is generally from one month to two months. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. The balances of trade and bills receivables are non-interest-bearing.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 23. TRADE AND BILLS RECEIVABLES—continued

An aging analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of allowance for expected credit losses, is as follows:

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Within 1 month . . . . .	16,751	27,285	128,512	170,226
1 to 2 months . . . . .	15,880	9,233	25,120	31,945
2 to 6 months . . . . .	5,538	5,108	11,005	46,076
6 to 12 months . . . . .	548	2,976	6,558	9,487
Over 12 months . . . . .	—	—	—	301
	<u>38,717</u>	<u>44,602</u>	<u>171,195</u>	<u>258,035</u>

The movements in the allowance for expected credit losses of trade receivables were detailed in note 24 to the Historical Financial Information.

## 24. CONTRACT ASSETS

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Contract assets . . . . .	51,873	75,906	107,013	115,893
Less: Allowance for credit losses . . . . .	(1,498)	(2,468)	(3,747)	(5,166)
	<u>50,375</u>	<u>73,438</u>	<u>103,266</u>	<u>110,727</u>

The contract assets primarily arise from the Group's Physician Research Assistance Business segment, representing the Group's right to consideration for services completed and not billed because the rights are conditioned upon the Group's future performance in achieving specified milestones as stipulated in the contracts. The contract assets are transferred to trade receivables when the rights become unconditional. The increase in contract assets in years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2022 was the result of the increase in the ongoing service of Physician Research Assistance Business.

The movements in the allowance for expected credit losses on trade receivables and contract assets are as follows:

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At beginning of year/period . . . . .	1,048	2,893	8,224	12,420
Impairment losses, net of reversal . . . . .	1,845	5,331	4,196	5,765
At end of year/period . . . . .	<u>2,893</u>	<u>8,224</u>	<u>12,420</u>	<u>18,185</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 24. CONTRACT ASSETS—continued

The increase in the allowance for expected credit losses of trade receivables and contract assets for the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2022 was due to the following significant changes in the gross carrying amount:

- (a) Increase/(decrease) in the allowance for expected credit losses of RMB1,758,000, RMB783,000, RMB(1,267,000) and RMB(1,099,000) at December 31, 2019, 2020 and 2021 and June 30, 2022 as a result of a net increase/(decrease) in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables and contract assets;
- (b) Increase in the allowance for expected credit losses of RMB87,000, RMB4,548,000, RMB5,463,000 and RMB6,864,000 at December 31, 2019, 2020 and 2021 and June 30, 2022 as a result of an increase in trade receivables with ageing over 12 months.

The Group determines the ECLs on these items by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience based on the aging of the trade receivables and status of underlying projects related to the contract assets, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The following table details the risk profile of trade receivables and contract assets by aging presented based on invoice date at the end of each reporting period:

	As at December 31, 2019		
	Amount	Expected credit loss rate	Expected credit losses
	RMB'000	%	RMB'000
Within 1 month (note a)	69,054	2.79%	1,928
1 to 2 months	16,516	3.85%	636
2 to 6 months	5,652	2.02%	114
6 to 12 months	676	18.93%	128
Over 12 months	87	100.00%	87
	<u>91,985</u>		<u>2,893</u>
	As at December 31, 2020		
	Amount	Expected credit loss rate	Expected credit losses
	RMB'000	%	RMB'000
Within 1 month (note a)	103,941	3.10%	3,217
1 to 2 months	9,498	2.79%	265
2 to 6 months	5,230	2.33%	122
6 to 12 months	3,047	2.36%	72
Over 12 months	4,548	100.00%	4,548
	<u>126,264</u>		<u>8,224</u>
	As at December 31, 2021		
	Amount	Expected credit loss rate	Expected credit losses
	RMB'000	%	RMB'000
Within 1 month (note a)	233,011	2.51%	5,841
1 to 2 months	25,718	2.33%	598
2 to 6 months	11,269	2.33%	263
6 to 12 months	6,813	3.74%	255
Over 12 months	5,463	100.00%	5,463
	<u>282,274</u>		<u>12,420</u>



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 24. CONTRACT ASSETS—continued

	As at June 30, 2022		
	Amount	Expected credit loss rate	Expected credit losses
	<i>RMB'000</i>	%	<i>RMB'000</i>
Within 1 month (note a) . . . . .	289,029	3.24%	9,371
1 to 2 months . . . . .	32,584	1.96%	639
2 to 6 months . . . . .	47,152	2.28%	1,076
6 to 12 months . . . . .	9,722	2.42%	235
Over 12 months . . . . .	7,165	95.80%	6,864
	<u>385,652</u>		<u>18,185</u>

Note a: The contract assets were presented in the aging bucket of “within 1 month” since they primarily relate to the Group’s right to the consideration for work completed but not yet billed.

The following table details the risk profile of trade receivables and contract assets by class of credit rating:

	As at December 31, 2019		
	Amount	Expected credit loss rate	Expected credit losses
	<i>RMB'000</i>	%	<i>RMB'000</i>
State-owned enterprises . . . . .	11,441	0.05%	6
Listed companies . . . . .	64,428	2.54%	1,638
Non-listed private companies and others . . . . .	16,116	7.75%	1,249
	<u>91,985</u>		<u>2,893</u>

	As at December 31, 2020		
	Amount	Expected credit loss rate	Expected credit losses
	<i>RMB'000</i>	%	<i>RMB'000</i>
State-owned enterprises . . . . .	11,136	0.04%	4
Listed companies . . . . .	91,893	2.48%	2,276
Non-listed private companies and others . . . . .	23,235	25.58%	5,944
	<u>126,264</u>		<u>8,224</u>

	As at December 31, 2021		
	Amount	Expected credit loss rate	Expected credit losses
	<i>RMB'000</i>	%	<i>RMB'000</i>
State-owned enterprises . . . . .	78,213	0.04%	28
Listed companies . . . . .	158,933	2.43%	3,861
Non-listed private companies and others . . . . .	45,128	18.90%	8,531
	<u>282,274</u>		<u>12,420</u>

	As at June 30, 2022		
	Amount	Expected credit loss rate	Expected credit losses
	<i>RMB'000</i>	%	<i>RMB'000</i>
State-owned enterprises . . . . .	132,765	0.04%	57
Listed companies . . . . .	176,598	2.98%	5,256
Non-listed private companies and others . . . . .	76,289	16.87%	12,872
	<u>385,652</u>		<u>18,185</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<u>As at December 31, 2019</u>	<u>As at December 31, 2020</u>	<u>As at December 31, 2021</u>	<u>As at June 30, 2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Non-current:				
Rental deposits .....	3,973	5,395	8,159	8,391
Prepayments for purchase of property, plant and equipment .....	613	360	92	—
Prepayments for purchase of intangible assets .....	—	—	2,656	—
Deferred listing expenses .....	—	—	6,885	600
Prepayments for medicine (note a) .....	—	—	130,000	130,000
	<u>4,586</u>	<u>5,755</u>	<u>147,792</u>	<u>138,991</u>
Current:				
Price adjustment compensation (note b) .....	4,172	32,737	92,529	52,707
Fund receivable from external payment network providers (note c) .....	9,211	10,842	8,742	12,134
Value added tax recoverable .....	19,710	10,229	8,939	6,244
Prepayments .....	11,557	8,161	40,598	31,418
Staff advances .....	1,541	1,018	968	1,387
Withholding tax for employee income tax (note d) .....	—	2,981	—	—
Other receivables .....	4,678	6,969	10,782	25,151
Impairment allowance .....	—	—	(2,211)	(1,449)
	<u>50,869</u>	<u>72,937</u>	<u>160,347</u>	<u>127,592</u>

Note a: In January 2021, the Group entered into a distribution agreement with a third party supplier for distribution of certain imported medicine in mainland China through the Group's nationwide pharmacy network. Pursuant to the agreement, the Group made payments of RMB130 million to the third party supplier in January 2021 as deposits for the supply of the medicine for a period (the "Distribution Period") from January 2021 to June 2022, which had been further extended to January 2024 by a supplemental agreement entered into in July 2021. The deposit is expected to be settled by the supply of the medicine of equivalent value amounting to RMB130 million at the end of the Distribution Period. Subsequently to optimize working capital allocation of the Group, the Group entered into a second supplemental agreement with the third party supplier in October 2022. Pursuant to the second supplemental agreement, the deposit of RMB130 million was fully returned to the Group on October 27, 2022.

Note b: The balance mainly represents amounts due from pharmaceutical companies to compensate the Group for the reduced sales price of drugs sold in the Group's specialty pharmacies under the centralized procurement policies.

Note c: The balance represents the receivables from payment processors such as China UnionPay, WeChat and Alipay or aggregators that are cash due from them for clearing transactions. The cash was paid by individual customers of pharmacy stores through these payment processors or aggregators for selling medicines in specialty by the Group.

Note d: The balance represents the receivables from certain directors and employees in respect of withholding tax for employee individual income tax associated with share options paid on behalf of employee by the Group in 2020.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at December 31, 2019 and 2020, the loss allowance was

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS—continued

assessed to be minimal. The amount of allowance for expected credit losses related to receivable of price adjustment compensation as at December 31, 2021 and June 30, 2022 was RMB2,211,000 and RMB1,449,000, respectively.

## 26. TIME DEPOSITS, PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

## Time deposits

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Time deposits over three months* .....	5,000	5,048	5,048	5,097
Denominated in:				
RMB .....	5,000	5,048	5,048	5,097
	<u>5,000</u>	<u>5,048</u>	<u>5,048</u>	<u>5,097</u>

\* Time deposits are made for varying periods of over three months but less than one year depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The time deposits are deposited with creditworthy banks with no recent history of default.

## Pledged deposits

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Pledged deposits* .....	—	—	—	73,200
Denominated in:				
RMB .....	—	—	—	73,200
	<u>—</u>	<u>—</u>	<u>—</u>	<u>73,200</u>

\* Pledged deposits are pledged for letters of credit.

## Cash and cash equivalents

## The Group

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Cash on hand .....	342	872	810	1,052
Cash at banks .....	198,768	639,722	535,039	1,365,371
Time deposits within three months .....	—	987,427	—	—
Cash and cash equivalents .....	199,110	1,628,021	535,849	1,366,423
Denominated in:				
RMB .....	93,410	1,113,817	483,973	1,322,459
USD .....	105,700	513,742	51,390	42,765
HK\$ .....	—	462	486	199
Total cash and bank balances .....	199,110	1,628,021	535,849	1,366,423

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 26. TIME DEPOSITS, PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS—continued

## Cash and cash equivalents—continued

## The Company

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Cash at banks . . . . .	209	34	298	301
Cash and cash equivalents . . . . .	<u>209</u>	<u>34</u>	<u>298</u>	<u>301</u>
Denominated in:				
RMB . . . . .	—	—	114	114
USD . . . . .	<u>209</u>	<u>34</u>	<u>184</u>	<u>187</u>
Total cash and bank balances . . . . .	<u>209</u>	<u>34</u>	<u>298</u>	<u>301</u>

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 27. TRADE PAYABLES

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade payables . . . . .	160,612	230,464	237,155	317,629

An aging analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Within 1 month . . . . .	147,192	212,868	185,322	269,987
1 to 3 months . . . . .	10,943	14,356	31,386	39,923
3 to 6 months . . . . .	918	1,944	16,710	3,204
Over 6 months . . . . .	<u>1,559</u>	<u>1,296</u>	<u>3,737</u>	<u>4,515</u>
	<u>160,612</u>	<u>230,464</u>	<u>237,155</u>	<u>317,629</u>

Trade payables are non-interest-bearing and are normally settled within three months.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 28. OTHER PAYABLES AND ACCRUALS

	As at December 31, <u>2019</u> <i>RMB'000</i>	As at December 31, <u>2020</u> <i>RMB'000</i>	As at December 31, <u>2021</u> <i>RMB'000</i>	As at June 30, <u>2022</u> <i>RMB'000</i>
Salary and welfare payables .....	53,397	62,359	95,845	89,328
Other taxes payable .....	7,113	17,977	16,684	20,351
Insurance premium payables (note a) .....	8,179	145,624	166,179	288,131
Accrued expenses .....	1,323	21,186	16,873	4,121
Payables arising from acquisition of subsidiaries (notes 35, 36) .....	24,598	930	17,778	200
Payables for intangible assets .....	—	335	7,821	388
Accrued listing expenses .....	—	—	15,096	16,178
Withholding tax payable for repurchase of convertible redeemable preferred shares (note 31) .....	—	—	22,953	22,953
Advance payments received for subscription of share options (note b) .....	—	—	7,114	8,073
Others .....	<u>1,047</u>	<u>1,297</u>	<u>771</u>	<u>8,496</u>
	<u>95,657</u>	<u>249,708</u>	<u>367,114</u>	<u>458,219</u>

Note a: The balance represents the premiums collected by the Group on behalf of insurance company from the insurance consumers in a fiduciary capacity until disbursed to the insurance carriers.

Note b: The amount represented payments received from employees for subscribing vested shares under the 2017 Share Option Plan (as defined in note 34 to the Historical Financial Information). As at June 30, 2022, these ordinary shares for these vested share options are yet to be legally registered and the subscriptions received from these individuals are recorded as advance payments.

Other payables are non-interest-bearing.

## 29. CONTRACT LIABILITIES

	As at December 31, <u>2019</u> <i>RMB'000</i>	As at December 31, <u>2020</u> <i>RMB'000</i>	As at December 31, <u>2021</u> <i>RMB'000</i>	As at June 30, <u>2022</u> <i>RMB'000</i>
Contract liabilities .....	<u>59,614</u>	<u>105,884</u>	<u>167,285</u>	<u>166,291</u>

Contract liabilities include advance payment of site management organization service and pharmaceutical products. The increase/(decrease) in contract liabilities in years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 was mainly due to the increase/(decrease) in advance payments received from customers in relation to provision of service of Physician Research Assistance Business at the end of each of the year or period.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 30. DEFERRED TAX LIABILITIES

	Fair value adjustments arising from business combinations
	<u>RMB'000</u>
As at January 1, 2018 and December 31, 2018 .....	—
Business combinations (note 35) .....	1,535
Credited to the consolidated statements of profit or loss and other comprehensive income .....	<u>(18)</u>
At December 31, 2019 .....	<u>1,517</u>
Credited to the consolidated statements of profit or loss and other comprehensive income .....	<u>(154)</u>
At December 31, 2020 .....	<u>1,363</u>
Business combinations (note 35) .....	310
Credited to the consolidated statements of profit or loss and other comprehensive income .....	<u>(154)</u>
At December 31, 2021 .....	<u>1,519</u>
Credited to the consolidated statements of profit or loss and other comprehensive income .....	<u>(92)</u>
At June 30, 2022 .....	<u><u>1,427</u></u>

## 31. CONVERTIBLE REDEEMABLE PREFERRED SHARES

From August 2015 to June 2021, the Company had received several rounds of investments as follows:

In August 2015, the Company issued 20,000,000 first tranche of series A convertible redeemable preferred shares with par value of USD0.001 per share to several independent investors at a cash consideration of USD3,000,000 or USD0.1500 per share.

In March 2016, the Company issued 10,212,766 second tranche of series A convertible redeemable preferred shares with par value of USD0.001 per share (first and second tranches of series A convertible redeemable preferred shares collectively, “Series A Preferred Shares”) to several independent investors at a cash consideration of USD2,000,000 or USD0.1958 per share. The price included the issue price of warrants to certain shareholders (Series A Warrants Holders”) to purchase, at 85% of the subscription price per share for the Company’s next round preference shares financing, up to such numbers of preference shares to be issued by the Company at the next round financing of total consideration of USD2,000,000.

In April 2016, the Company issued 11,883,282 series A-1 convertible redeemable preferred shares (“Series A-1 Preferred Shares”) with par value of USD0.001 per share to several independent investors at a cash consideration of USD2,585,719 or USD 0.2176 per share.

In June 2016, the Company issued 55,113,685 first tranche of series B convertible redeemable preferred shares with par value of USD0.001 per share to several independent investors and Tencent (a major shareholder of the Company) at a cash consideration of USD20,000,000 or USD0.3629 per share.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued****31. CONVERTIBLE REDEEMABLE PREFERRED SHARES—continued**

In June 2016, the Company issued 6,483,963 second tranche of series B convertible redeemable preferred shares with par value of USD0.001 per share (first and second tranches of series B convertible redeemable preferred shares collectively, “Series B Preferred Shares”) to Series A Warrants Holders at a cash consideration of USD2,000,000 or USD0.3085 per share.

In January and February 2018, the Company issued 41,852,349 first tranche of series C convertible redeemable preferred shares with par value of USD0.001 per share to several independent investors at a cash consideration of USD21,208,459 or USD0.5067 per share. The price included the issue price of warrants to certain shareholders (Series C Warrants Holders”) to purchase 14,192,597 second tranche of series C convertible redeemable preferred shares at an aggregate purchase price of USD7,192,024 or USD0.5067 per share to be issued by the Company.

In August 2018, the Company issued 16,219,634 second tranche of series C convertible redeemable preferred shares with par value of USD0.001 per share (first and second tranches of series C convertible redeemable preferred shares collectively, “Series C Preferred Shares”) to Series C Warrants Holders or an independent investor at a cash consideration of USD8,219,215 or USD0.5067 per share.

In November 2018, the Company issued 80,367,102 series D convertible redeemable preferred shares with par value of USD0.001 per share (“Series D Preferred Shares”) to several independent investors and Tencent at a cash consideration of USD54,000,000 or USD0.6719 per share.

In October 2019, the Company issued 86,584,964 series D+ convertible redeemable preferred shares with par value of USD0.001 per share (“Series D+ Preferred Shares”) to several independent investors and Tencent at a cash consideration of USD81,500,000 or USD0.9413 per share.

In December 2020, the Company issued 156,659,688 first tranche of series E convertible redeemable preferred shares with par value of USD0.001 per share to several independent investors and Tencent at a cash consideration of USD245,000,000 or USD1.5639 per share. In January 2021, the Company issued 34,529,074 second tranche of series E convertible redeemable preferred shares with par value of USD0.001 per share to several independent investors at a cash consideration of USD54,000,000 or USD1.5639 per share (first and second tranches of series E convertible redeemable preferred shares collectively, “Series E Preferred Shares”).

In June 2021, the Company issued 35,928,808 series F convertible redeemable preferred shares (“Series F Preferred Shares”) with par value of USD0.001 per share to certain investors at a cash consideration of USD80,600,000 or USD2.243 per share.

Series A Preferred Shares, Series A-1 Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares, Series D+ Preferred Shares, Series E Preferred Shares and Series F Preferred Shares are collectively referred to as Preferred Shares.

Upon completion of Series F financing and according to the Memorandum and Articles of Association of the Company passed by the shareholders in June 2021, the key terms of Preferred Shares are summarized as follows:

(a) Conversion features

Each Preferred Share shall be convertible, at the option of the holder of the Preferred Shares at any time after the date of issuance, and without the payment of any additional consideration by the holder

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 31. CONVERTIBLE REDEEMABLE PREFERRED SHARES—continued

## (a) Conversion features—continued

of the Preferred Shares, into such number of fully paid ordinary shares as is determined by dividing the applicable original issue price for such series of Preferred Shares by the applicable conversion price for such series of Preferred Shares in effect at the time of conversion.

All outstanding Preferred Shares shall automatically be converted into ordinary shares based on the applicable then-effective conversion price upon (i) the closing of a qualified IPO, or (ii) upon the date specified by written requests of the holder of the majority of the then outstanding Preferred Shares, voting together as a single class on an as-converted basis.

The initial conversion price and conversion ratio is the stated issuance price of the Preferred Shares and on a one-for-one basis, respectively. The above conversion prices are subject to adjustments in the event that the Company issues additional ordinary shares or additional deemed ordinary shares through options or convertible instruments for a consideration per share received by the Company less than the original respective conversion prices, as the case may be, in effect on the date of and immediately prior to such issue. In such event, the respective conversion price is reduced, concurrently with such issue, to a price as adjusted according to an agreed-upon formula.

The above conversion prices are also subject to adjustments on a proportional basis upon other dilution events.

## (b) Voting rights

Each holder of Preferred Shares shall be entitled to the number of votes equal to the number of ordinary shares into which the Preferred Shares held by such holder could be converted as of the record date. The holders of Preferred Shares shall be entitled to vote on all matters on which the holders of ordinary shares shall be entitled to vote. Holders of Preferred Shares shall be entitled to notice of any general meeting in accordance with the Memorandum and Articles of Association of the Company.

## (c) Redemption features

In the events that (i) the Company fails to consummate a qualified IPO within 6 years from the closing of Series F financing or (ii) the Company fails to complete a sale of the Company approved by the holders of more than 50% of the then issued and outstanding Preferred Shares, voting together as a single class on an as-converted to ordinary shares basis.

In the events that (i) a material default or breach by any Group company, founder or non-founder ordinary holder of any of the representations, warranties, covenants, obligations under any transaction document (only an adverse effect on the assets or operations of the Group in an aggregate amount greater than 15% of the Series F post-money valuation of the Group shall be deemed material); (ii) the occurrence of an investigation of a corruption or bribery event by any government authority into any Founder, Group company or key employee resulting in a final, non-appealable decision finding violations of laws, which has a material adverse effect on the assets or operations of the Group or the public offering of the Company, and such default or breach is not remedied within 90 days after a written notice with respect to such default or breach; (iii) the cessation of Mr. MA Xuguang or Mr. LI Ji of being employed to any of the Group either on his unilateral and voluntary termination or as a



**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 31. CONVERTIBLE REDEEMABLE PREFERRED SHARES—continued

## (c) Redemption features—continued

result of termination by such Group company for cause ; (iv) any change of laws or policy or any change of such laws and policy's interpretation and enforcement by government authorities may result in the invalidity of the restructuring agreements and there is no other reasonable alternative to accomplish the purposes of the restructuring agreements or material adverse effect to the principal business, and there is no other reasonable alternative for the Company to cure the adverse effect and continue the principal business within 90 days after the change of laws or policy or its interpretation or enforcement by government authorities (only an adverse effect on the assets or operations of the Group in an aggregate amount greater than 15% of the Series F Post-Money Valuation of the Group shall be deemed material).

The price at which shares of Preferred Shares are redeemed shall be a higher amount of (i) that would give holders of Preferred Shares a 10% interest rate per annum for its investment in the Company plus all accrued but unpaid dividends and (ii) fair market value of Preferred Shares to be determined by an independent and qualified asset appraisal firm.

## (d) Liquidation preferences

In the event of any liquidation, dissolution, winding up of the Company or deemed liquidation event, holders of Preferred Shares shall be entitled to be paid out of the funds and assets available for distribution to the members of the Company, an amount per share equal to 120% of the original issue price for each series Preferred share, plus any dividends declared but unpaid thereon in the sequence as follows:

- (1) Series F Preferred Shares
- (2) Series E Preferred Shares
- (3) Series D+ Preferred Shares
- (4) Series D Preferred Shares
- (5) Series C Preferred Shares
- (6) Series B Preferred Shares
- (7) Series A Preferred Shares or Series A-1 Preferred Shares

## Presentation and Classification

The Group and the Company have designated the Preferred Shares as whole as financial liabilities carried at FVTPL. The change in fair value of the Preferred Shares is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. Management considered that the fair value change in the Preferred Shares attributable to changes of own credit risk is not significant.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 31. CONVERTIBLE REDEEMABLE PREFERRED SHARES—continued

## (d) Liquidation preferences—continued

The movements of the Preferred Shares are set out as follows:

The Group

	Series A	Series A-1	Series B	Series C	Series D	Series D+	Series E	Series F	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2019</b> . . . . .	<b>78,470</b>	<b>31,508</b>	<b>181,657</b>	<b>201,931</b>	<b>374,152</b>	—	—	—	<b>867,718</b>
Change in fair value . . . . .	44,390	17,441	86,636	70,889	93,704	7,032	—	—	320,092
Issuance for cash . . . . .	—	—	—	—	—	573,655	—	—	573,655
Exchange adjustments . . . . .	1,791	715	3,967	4,123	7,214	(5,132)	—	—	12,678
<b>At December 31, 2019</b> . . . . .	<b>124,651</b>	<b>49,664</b>	<b>272,260</b>	<b>276,943</b>	<b>475,070</b>	<b>575,555</b>	—	—	<b>1,774,143</b>
Change in fair value . . . . .	80,543	31,532	156,926	138,059	135,186	116,463	(1,365)	—	657,344
Issuance for cash . . . . .	—	—	—	—	—	—	1,340,485	—	1,340,485
Exchange adjustments . . . . .	(12,416)	(4,917)	(26,091)	(25,376)	(38,037)	(43,527)	(2,876)	—	(153,240)
<b>At December 31, 2020</b> . . . . .	<b>192,778</b>	<b>76,279</b>	<b>403,095</b>	<b>389,626</b>	<b>572,219</b>	<b>648,491</b>	<b>1,336,244</b>	—	<b>3,618,732</b>
Change in fair value . . . . .	210,774	78,191	425,222	371,421	524,202	549,004	853,640	35,974	3,048,428
Issuance for cash . . . . .	—	—	—	—	—	—	606,330	520,416	1,126,746
Repurchase (note a) . . . . .	—	(10,745)	—	(57,763)	(161,291)	—	—	—	(229,799)
Exchange adjustments . . . . .	(6,885)	(2,572)	(14,213)	(12,786)	(17,136)	(21,279)	(47,600)	(6,798)	(129,269)
<b>At December 31, 2021</b> . . . . .	<b>396,667</b>	<b>141,153</b>	<b>814,104</b>	<b>690,498</b>	<b>917,994</b>	<b>1,176,216</b>	<b>2,748,614</b>	<b>549,592</b>	<b>7,434,838</b>
Change in fair value . . . . .	6,987	2,433	13,504	11,175	14,339	16,435	19,873	355	85,101
Exchange adjustments . . . . .	21,131	7,518	43,339	36,750	48,839	62,509	145,422	28,951	394,459
<b>At June 30, 2022</b> . . . . .	<b>424,785</b>	<b>151,104</b>	<b>870,947</b>	<b>738,423</b>	<b>981,172</b>	<b>1,255,160</b>	<b>2,913,909</b>	<b>578,898</b>	<b>7,914,398</b>

The Company

	Series A	Series A-1	Series B	Series C	Series D	Series D+	Series E	Series F	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2019</b> . . . . .	<b>78,470</b>	<b>28,462</b>	<b>181,657</b>	<b>134,762</b>	<b>374,152</b>	—	—	—	<b>797,503</b>
Change in fair value . . . . .	44,390	15,754	86,636	47,309	93,704	7,032	—	—	294,825
Issuance for cash . . . . .	—	—	—	—	—	573,655	—	—	573,655
Exchange adjustments . . . . .	1,791	646	3,967	2,753	7,214	(5,132)	—	—	11,239
<b>At December 31, 2019</b> . . . . .	<b>124,651</b>	<b>44,862</b>	<b>272,260</b>	<b>184,824</b>	<b>475,070</b>	<b>575,555</b>	—	—	<b>1,677,222</b>
Change in fair value . . . . .	80,543	28,483	156,926	92,136	135,186	116,463	(1,365)	—	608,372
Issuance for cash . . . . .	—	—	—	—	—	—	1,340,485	—	1,340,485
Exchange adjustments . . . . .	(12,416)	(4,441)	(26,091)	(16,940)	(38,037)	(43,527)	(2,876)	—	(144,328)
<b>At December 31, 2020</b> . . . . .	<b>192,778</b>	<b>68,904</b>	<b>403,095</b>	<b>260,020</b>	<b>572,219</b>	<b>648,491</b>	<b>1,336,244</b>	—	<b>3,481,751</b>
Change in fair value . . . . .	210,774	74,703	425,222	371,458	524,202	549,004	853,640	35,974	3,044,977
Issuance for cash . . . . .	—	—	—	—	—	—	606,330	520,416	1,126,746
Repurchase (note a) . . . . .	—	—	—	—	(161,291)	—	—	—	(161,291)
Exchange adjustments . . . . .	(6,885)	(2,454)	(14,213)	(10,308)	(17,136)	(21,279)	(47,600)	(6,798)	(126,673)
<b>At December 31, 2021</b> . . . . .	<b>396,667</b>	<b>141,153</b>	<b>814,104</b>	<b>621,170</b>	<b>917,994</b>	<b>1,176,216</b>	<b>2,748,614</b>	<b>549,592</b>	<b>7,365,510</b>
Change in fair value . . . . .	6,987	2,433	13,504	10,053	14,339	16,435	19,873	355	83,979
Exchange adjustments . . . . .	21,131	7,518	43,339	33,059	48,839	62,509	145,422	28,951	390,768
<b>At June 30, 2022</b> . . . . .	<b>424,785</b>	<b>151,104</b>	<b>870,947</b>	<b>664,282</b>	<b>981,172</b>	<b>1,255,160</b>	<b>2,913,909</b>	<b>578,898</b>	<b>7,840,257</b>

Note a: In April and June 2021, the Company entered into a series of share repurchase agreements with certain of existing holders of preferred shares to repurchase 1,148,936 Series A-1 Preferred Shares,

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 31. CONVERTIBLE REDEEMABLE PREFERRED SHARES—continued

## (d) Liquidation preferences—continued

6,110,920 Series C Preferred Shares and 12,000,000 Series D Preferred Shares with reference to the share price of the latest round of financing immediately before the relevant repurchase for repurchase consideration of RMB10,745,000, RMB57,763,000 and RMB161,291,000 respectively. Details of the share repurchase are disclosed in the section headed “History, Reorganization and Corporate Structure” in the Prospectus.

## 32. SHARE CAPITAL

The Company was incorporated in May 2015 with authorized share capital of USD10,000 divided into 100,000,000 ordinary shares (“ordinary shares”) with a par value of USD0.0001 each.

A summary of movements in the Company’s issued and fully paid share capital is as follows:

	<u>Year ended December 31,</u> <u>2019</u> <i>RMB'000</i>	<u>Year ended December 31,</u> <u>2020</u> <i>RMB'000</i>	<u>Year ended December 31,</u> <u>2021</u> <i>RMB'000</i>	<u>Six months ended June 30,</u> <u>2022</u> <i>RMB'000</i>
Issued .....	<u>61</u>	<u>61</u>	<u>138</u>	<u>138</u>
			<u>Number of shares in issue</u>	<u>Share capital</u> <i>RMB'000</i>
At December 31, 2019 and December 31, 2020 .....			100,000,000	61
Issue of new treasury shares held in trust (note a) .....			120,199,231	78
Repurchase of ordinary share (note b) .....			<u>(1,000,000)</u>	<u>(1)</u>
At December 31, 2021 and June 30, 2022 .....			<u>219,199,231</u>	<u>138</u>

Note a: From April to June 2021, the Company allotted and issued a total of 120,199,231 ordinary shares of the Company to certain special purpose vehicle companies in order to facilitate the administration of the 2017 Share Option Plan and 2021 RSU Scheme as set out in note 34 to the Historical Financial Information. The interests of these special purpose vehicle companies are held in several trusts for the benefit of grantees of 2017 Share Option Plan and 2021 RSU Scheme.

Note b: From April to June 2021, the Company entered into a series of share repurchase agreements with certain of the shareholders of the Company to repurchase 1,000,000 ordinary shares and certain number of preferred shares of the Company based on the negotiation among parties with reference to the share price of the latest round of financing immediately before the relevant repurchase. Details of the repurchase of preferred shares are set out in note 31 to the Historical Financial Information.

## 33. RESERVES

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 33. RESERVES—continued

The Company

	Other reserve	Share-based Payment reserve	Foreign currency translation reserve	Accumulated losses	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At January 1, 2019 .....	—	30,874	(17,547)	(84,122)	(70,795)
Total comprehensive expense for the year .....	—	—	(21,799)	(293,108)	(314,907)
Share-based payment compensation .....	—	21,738	—	—	21,738
At December 31, 2019 and January 1, 2020 .....	<u>—</u>	<u>52,612</u>	<u>(39,346)</u>	<u>(377,230)</u>	<u>(363,964)</u>
Total comprehensive expense for the year .....	—	—	142,675	(643,872)	(501,197)
Share-based payment compensation .....	—	113,995	—	—	113,995
At December 31, 2020 and January 1, 2021 .....	<u>—</u>	<u>166,607</u>	<u>103,329</u>	<u>(1,021,102)</u>	<u>(751,166)</u>
Total comprehensive expense for the year .....	—	—	132,370	(3,192,311)	(3,059,941)
Share-based payment compensation .....	—	298,682	—	—	298,682
Repurchase of the vested share options ..	(25,591)	(27,795)	—	—	(53,386)
Repurchase of the ordinary share .....	(10,056)	—	—	—	(10,056)
Disposal of subsidiaries of offline clinic services (note 37) .....	(258,452)	—	—	—	(258,452)
At December 31, 2021 and January 1, 2022 .....	<u>(294,099)</u>	<u>437,494</u>	<u>235,699</u>	<u>(4,213,413)</u>	<u>(3,834,319)</u>
Total comprehensive expense for the period .....	—	—	(390,746)	(128,465)	(519,211)
Share-based payment compensation .....	—	105,662	—	—	105,662
At June 30, 2022 .....	<u>(294,099)</u>	<u>543,156</u>	<u>(155,047)</u>	<u>(4,341,878)</u>	<u>(4,247,868)</u>

## 34. SHARE INCENTIVE PLAN

## 2017 Share Option Plan

The Company adopted a share incentive plan (“2017 Share Option Plan”) in 2018, as amended and restated in 2020 and 2021, for the purpose of attracting and retaining the best talents who promote the success of the Group’s operations. Eligible participants of the 2017 Share Option Plan include the certain directors of the Company, employees and consultants of the Group. The Company may grant up to 131,580,321 share options of the Company under the 2017 Share Option Plan.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 34. SHARE INCENTIVE PLAN—continued

## 2017 Share Option Plan—continued

Details of specific categories of options are as follows:

<u>Date of grant</u>	<u>Number of options granted</u>	<u>Exercise price per share</u>	<u>Vesting Schedule</u>
January 2018 . . . .	8,814,381	USD0.018	Vesting in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the vesting commencement date
January 2018 . . . .	292,703	USD0.018	Vesting in the portions of 25%, 25% and 50% on the first, second and third anniversaries of the vesting commencement date
May 2018 . . . . .	10,561,035	USD0.018 ~ USD0.03630	Vesting in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the vesting commencement date
July 2018 . . . . .	10,731,765	USD0.03630	Vesting in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the vesting commencement date
January 2019 . . . .	11,735,264	USD0.018 ~ USD0.250	Vesting in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the vesting commencement date
February 2020 . . .	4,889,270	USD0.06720	Vesting in the portions of 15%, 20%, 30% and 35% on the first, second, third and fourth anniversaries of the vesting commencement date
February 2020 . . .	11,200,000	USD0.06720	Vesting in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the vesting commencement date
December 2020 . .	13,050,000	USD0.06720	vesting in 36 equal monthly installments after the vesting commencement date
December 2020 . .	10,000,000	USD0.06720	vesting in 48 equal monthly installments after the vesting commencement date

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 34. SHARE INCENTIVE PLAN—continued

## 2017 Share Option Plan—continued

<u>Date of grant</u>	<u>Number of options granted</u>	<u>Exercise price per share</u>	<u>Vesting Schedule</u>
May 2021 . . . . .	13,977,309	USD0.09000	Vesting in the portion of 15%, 20%, 30% and 35% on the first, second, third and fourth anniversaries of the vesting commencement date
May 2021 . . . . .	200,000	USD0.09000	Vesting in the portion of 22.5%, 35%, 30% and 12.5% on the first, second third and fourth anniversaries of the vesting commencement date
May 2021 . . . . .	5,585,000	USD0.09000	Vesting in the portion of 0%, 35%, 30% and 35% on the first, second, third and fourth anniversaries of the vesting commencement date
May 2021 . . . . .	13,600,000	USD0.09000	Vesting in 48 equal monthly instalments after the vesting commencement date
June 2021 . . . . .	19,996,000	USD0.09000	Vesting in 48 equal monthly instalments after the vesting commencement date

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 34. SHARE INCENTIVE PLAN—continued

## 2017 Share Option Plan—continued

The following share options were outstanding under the share option plan during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022:

	Weighted average exercise price*	Number of options
	<i>USD per share</i>	<i>'000</i>
At January 1, 2019 . . . . .		28,256
Granted during the year . . . . .	0.0426	11,735
Forfeited during the year . . . . .	0.0551	2,677
At December 31, 2019 and January 1, 2020 . . . . .		<u>37,314</u>
Granted during the year . . . . .	0.0672	39,139
Forfeited during the year . . . . .	0.0435	4,312
At December 31, 2020 and January 1, 2021 . . . . .		<u>72,141</u>
Granted during the year . . . . .	0.0900	53,358
Forfeited during the year . . . . .	0.0713	1,366
Exercised during the year** . . . . .	0.0547	5,950
At December 31, 2021 and January 1, 2022*** . . . . .		<u>118,183</u>
Forfeited during the period . . . . .	0.0659	1,648
At June 30, 2022*** . . . . .		<u>116,535</u>

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\*\* In March and May 2021, the Company repurchased 4,000,000 and 1,950,000 vested share options, respectively, granted to certain directors of the Company and the Group's employees under the 2017 Share Option Plan at a total net consideration of RMB36,922,000 and RMB16,464,000, respectively after deduction of exercise price. The repurchase price was determined based on the fair value of ordinary shares of the Company on repurchase date with reference to the issue price of recent financing. The repurchase of vested share options was accounted for as a deduction from equity.

\*\*\* Certain underlying shares of the options granted under the 2017 Share Option Plan had already been fully issued through special purpose vehicle companies as detailed in note 32.

The fair value of the share options granted during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 was RMB25,561,000, RMB198,102,000, RMB577,900,000 and nil, respectively.

The Group recognized share-based expenses of RMB21,738,000, RMB113,995,000, RMB298,682,000 and RMB105,662,000 during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 34. SHARE INCENTIVE PLAN—continued

## 2017 Share Option Plan—continued

The fair value of share-based payment compensations granted during the Relevant Periods was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Year ended December 31,	Year ended December 31,	Year ended December 31,
	2019	2020	2021
Expected volatility (%) . . . . .	36.25%-36.25%	36.92%-36.92%	36.00%-37.00%
Risk-free interest rate (%) . . . . .	1.92%-1.92%	0.92%-0.92%	1.14%-1.63%
Expected life of options (year) . . . . .	10	10	10
Weighted average share price (USD per share) . . . . .	0.5040	0.8941	1.6735
Expected dividend yield(%) . . . . .	0.00%	0.00%	0.00%

## 2021 RSU Scheme

In June 2021, the Company adopted a restricted share unit scheme (the “RSU Scheme”) to provide incentives for the directors of the Company and the employees of the Group to retain them, and to attract suitable personnel for the Group’s further development. To implement the RSU Scheme, the Company issued 10,004,000 Ordinary Shares to Sail Far Holdings Limited in June 2021. As at June 30, 2022, no restricted share unit was granted to employee or director of the Group by the Company.

## 35. BUSINESS COMBINATIONS

**Taiyuan Taikang**

On July 12, 2019, the Group entered into a share purchase agreement with the shareholders of Taiyuan Taikang to acquire 51.00% equity interests from third party shareholders of Taiyuan Taikang for a total cash consideration of RMB13,770,000. The remaining 49.00% equity interests are held by another third party shareholder. Taiyuan Taikang was founded in 2012. Taiyuan Taikang is mainly engaged in operation of retail pharmacy. The acquisition was made as part of the Group’s strategy to establish a network of retail DTP drug stores in major cities of China.

The acquisition was completed on July 31, 2019 when the Company obtained control of the operating and financing activities of Taiyuan Taikang.

The fair values of the identifiable assets and liabilities of Taiyuan Taikang as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition RMB'000
Trade and bills receivables . . . . .		127
Prepayments, other receivables and other assets . . . . .		3
Inventories . . . . .		2,408
Property, plant and equipment . . . . .	15	147
Other intangible assets . . . . .	16	680
Right-of-use assets . . . . .	17	1,317



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 35. BUSINESS COMBINATIONS—continued

## Taiyuan Taikang—continued

	<u>Notes</u>	<u>Fair value recognized on acquisition</u>
		<i>RMB'000</i>
Trade payables . . . . .		(801)
Other payables and accruals . . . . .		(1,487)
Lease liabilities . . . . .	17	(1,447)
Deferred tax liabilities . . . . .	30	<u>(170)</u>
Total identifiable net assets at fair value . . . . .		777
Non-controlling interests . . . . .		<u>381</u>
		396
Goodwill on acquisition . . . . .		<u>13,374</u>
Satisfied by:		
Cash consideration paid during the year ended December 31, 2019 . . . . .		<u>13,770</u>

The fair values of the trade and bills receivables as at the date of acquisition amounted to RMB127,000. The gross contractual amount of trade and bills receivables was RMB127,000.

The goodwill is attributable to the acquired human resources and economies of scale expected from combining the operations of the Group and Taiyuan Taikang acquired not being under common control.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favorable terms of the leases relative to market terms.

An analysis of the cash flows in respect of the acquisition of Taiyuan Taikang is as follows:

	<i>RMB'000</i>
Cash consideration paid during the year ended December 31, 2019 . . . . .	<u>13,770</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities . . . . .	<u>(13,770)</u>

Since the acquisition, Taiyuan Taikang contributed RMB33,956,000 to the Group's revenue and RMB287,000 to the Group's profit for the year ended December 31, 2019.

Had the combination taken place at the beginning of the year ended December 31, 2019, the revenue from continuing operations of the Group and the loss of the Group for the year would have been RMB1,076,589,000 and RMB596,075,000, respectively.

## Shenyang Sanheyuan

On November 25, 2019, the Group entered into a share purchase agreement with the shareholders of Shenyang Sanheyuan to acquire 51.00% equity interests from third party shareholders of Shenyang Sanheyuan for a total cash consideration of RMB32,640,000. The remaining 49.00% equity interests are held by another third party shareholder. Shenyang Sanheyuan was founded in 2016. Shenyang Sanheyuan is mainly engaged in the operation of retail pharmacy. The acquisition was made as part of the Group's strategy to establish a network of retail DTP drug stores in major cities of China.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 35. BUSINESS COMBINATIONS—continued

**Shenyang Sanheyuan—continued**

The acquisition was completed on November 30, 2019 when the Company obtained control of the operating and financing activities of Shenyang Sanheyuan.

The fair values of the identifiable assets and liabilities of Shenyang Sanheyuan as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition <i>RMB'000</i>
Cash and cash equivalents .....		9,309
Trade and bills receivables .....		3,016
Right-of-use assets .....	17	3,174
Prepayments, other receivables and other assets .....		5,618
Inventories .....		23,331
Property, plant and equipment .....	15	829
Other intangible assets .....	16	5,505
Trade payables .....		(37,320)
Other payables and accruals .....		(1,513)
Lease liabilities .....	17	(2,859)
Deferred tax liabilities .....	30	(1,365)
Total identifiable net assets at fair value .....		<u>7,725</u>
Non-controlling interests .....		<u>3,785</u>
		3,940
Goodwill on acquisition .....		<u>28,700</u>
Satisfied by:		
Cash consideration paid during the year ended December 31, 2019 .....		16,320
Consideration payable included in other payables and accruals as at December 31, 2019 .....		<u>16,320</u>

The fair values of the trade and bills receivables as at the date of acquisition amounted to RMB3,016,000. The gross contractual amount of trade and bills receivables was RMB3,016,000.

The goodwill is attributable to the acquired human resources and economies of scale expected from combining the operations of the Group and Shenyang Sanheyuan acquired not being under common control.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favorable terms of the leases relative to market terms.

An analysis of the cash flows in respect of the acquisition of Shenyang Sanheyuan is as follows:

Cash consideration paid during the year ended December 31, 2019 .....	<i>RMB'000</i> 16,320
Cash and cash equivalents acquired .....	<u>9,309</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities . . . .	<u>(7,011)</u>

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 35. BUSINESS COMBINATIONS—continued

**Shenyang Sanheyuan—continued**

Since the acquisition, Shenyang Sanheyuan contributed RMB22,805,000 to the Group's revenue and RMB3,034,000 to the Group's profit for the year ended December 31, 2019.

Had the combination taken place at the beginning of the year ended December 31, 2019, the revenue from continuing operations of the Group and the loss of the Group for the year would have been RMB1,258,678,000 and RMB591,672,000, respectively.

**Beijing Renbo**

On December 27, 2021, the Group entered into a share purchase agreement with the shareholders of Beijing Renbo to acquire 70.00% equity interests from a third party shareholder of Beijing Renbo at a total cash consideration of RMB14,700,000 and estimated contingent consideration of RMB24,467,000. The remaining 30.00% equity interests are still held by the original third party shareholder.

Beijing Renbo was founded in 2003. Beijing Renbo is mainly engaged in the operation of retail pharmacy. The acquisition was made as part of the Group's strategy to establish a network of retail DTP drug stores in major cities of China.

The acquisition was completed on December 31, 2021 when the Company obtained control of the operating and financing activities of Beijing Renbo.

The fair values of the identifiable assets and liabilities of Beijing Renbo as at the date of acquisition were as follows:

	<u>Notes</u>	<u>Fair value recognized on acquisition</u>
		<i>RMB'000</i>
Cash and cash equivalents . . . . .		5,629
Right-of-use assets . . . . .	17	2,057
Prepayments, other receivables and other assets . . . . .		926
Inventories . . . . .		4,056
Property, plant and equipment . . . . .	15	75
Other intangible assets . . . . .	16	1,245
Trade payables . . . . .		(6,509)
Other payables and accruals . . . . .		(1,833)
Dividend payables . . . . .		(1,254)
Lease liabilities . . . . .	17	(2,057)
Deferred tax liabilities . . . . .	30	(310)
Total identifiable net assets at fair value . . . . .		2,025
Non-controlling interests . . . . .		607
		<u>1,418</u>
Goodwill on acquisition . . . . .		37,749
Satisfied by:		
Consideration payable included in other payables and accruals as at December 31, 2021 . . . . .		14,700
Contingent consideration payables . . . . .		<u>24,467</u>

As part of the purchase agreement, contingent consideration is payable, which is dependent on the achievement of certain net profit target over a period of 12 months subsequent to the acquisition. The

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 35. BUSINESS COMBINATIONS—continued

**Beijing Renbo—continued**

initial amount recognized was determined using the discounted cash flow model and is within Level 3 fair value measurement. The consideration is due for final measurement and payment to the former shareholders in two batches on September 30, 2022 and March 31, 2023 respectively.

An analysis of the contingent consideration payables in respect of the liquidity is as follows

	As at December 31, 2021	As at June 30, 2022
	<u>RMB'000</u>	<u>RMB'000</u>
Current portion . . . . .	20,790	24,467
Non-current portion . . . . .	3,677	—
	<u>24,467</u>	<u>24,467</u>

The goodwill is attributable to the acquired human resources and economies of scale expected from combining the operations of the Group and Beijing Renbo acquired not under common control.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favorable terms of the leases relative to market terms.

An analysis of the cash flows in respect of the acquisition of Beijing Renbo is as follows:

Cash and cash equivalents acquired . . . . .	<u>RMB'000</u> 5,629
Net inflow of cash and cash equivalents included in cash flows from investing activities . . . . .	<u>5,629</u>

Since the acquisition, Beijing Renbo contributed nil to the Group's revenue and nil to the Group's profit for the year ended December 31, 2021.

Had the combination taken place at the beginning of the year ended December 31, 2021, the revenue from continuing operations of the Group and the loss of the Group for the year would have been RMB3,566,865,000 and RMB3,744,250,000, respectively.

## 36. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS

**(a) Year ended December 31, 2019**

During the year ended December 31, 2019, the Group acquired 100% equity interests in Sipai (Beijing) Insurance Brokerage Co., Ltd. (思派(北京)保險經紀有限公司 “Beijing Sipai Brokerage”), 100% equity interests in Guangdong Dahui Medical Co., Ltd. (廣東達慧醫藥有限公司 “Guangdong Dahui”) and 51% equity interests in Weihai Renji Medical Sales Co., Ltd. (威海仁濟醫藥銷售有限公司 “Weihai Renji”) from independent third parties. The acquisitions of Beijing Sipai Brokerage, Guangdong Dahui, and Weihai Renji were accounted for as asset acquisition because Beijing Sipai Brokerage, Guangdong Da Hui, and Weihai Renji failed to constitute a business under IFRS 3. Upon completion of the acquisitions, the acquired companies became wholly-owned subsidiaries of the Group, except for Weihai Renji being a non-wholly-owned subsidiary. The acquisitions were accounted for as asset acquisition since the Group determined that those activities and assets of acquired equity interests of companies didn't constitute business on the acquisition date acquired.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 36. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS—continued

## (a) Year ended December 31, 2019—continued

Identifiable assets acquired and liabilities assumed after allocation of transaction prices of Beijing Sipai Brokerage, Guangdong Dahui and Weihai Renji as at the dates of acquisition were as follows:

	Notes	Beijing Sipai Brokerage RMB'000	Guangdong Da hui RMB'000	Weihai Renji RMB'000	Total RMB'000
Cash and cash equivalents		63	32	71	166
Trade and bills receivables		—	—	3	3
Right-of-use assets	17	—	181	276	457
Prepayments, other receivables and other assets		167	53	2,202	2,422
Inventories		—	—	468	468
Property, plant and equipment	15	—	—	140	140
Other intangible assets	16	30,905	4,015	2,398	37,318
Other current assets		5,000	—	—	5,000
Trade payables		(2)	—	(629)	(631)
Other payables and accruals		(8,002)	(302)	(704)	(9,008)
Lease liabilities	17	—	(179)	(249)	(428)
Total Identifiable assets acquired and liabilities assumed after allocation of transaction price		28,131	3,800	3,976	35,907
Non-controlling interests		—	—	1,008	1,008
Satisfied by:					
Cash consideration paid during the year ended December 31, 2019		21,931	3,800	890	26,621
Consideration payable included in other payables and accruals as at December 31, 2019		6,200	—	2,078	8,278

An analysis of the cash flows in respect of the above acquisitions is as follows:

	Beijing Sipai Brokerage RMB'000	Guangdong Da hui RMB'000	Weihai Renji RMB'000	Total RMB'000
Cash consideration paid during the year ended December 31, 2019	21,931	3,800	890	26,621
Cash and cash equivalents acquired	63	32	71	166
Net outflow of cash and cash equivalents included in cash flows from investing activities	(21,868)	(3,768)	(819)	(26,455)

## (b) Year ended December 31, 2020

During the year ended December 31, 2020, the Group acquired 100% equity interests in Guangzhou Sipai Medical Clinic Co., Ltd. (廣州思派醫療門診部有限責任公司, formerly known as 廣州市康祺門診部有限責任公司 Guangzhou Kangqi clinic Co., Ltd., “Guangzhou Sipai Clinic”), 100% equity interests in Taizhou Quannuo Pharmacy Co., Ltd. (台州市全諾大藥房有限公司 “Taizhou Quannuo”), 100% equity interests in Beijing Hengrenfukang Pharmaceutical Co., Ltd. (北京恒仁福康醫藥有限公司 “Beijing Hengren”), 100% equity interests in Guangzhou Sipai Pharmaceuticals Chain Co. Ltd. (廣州市思派藥業連鎖有限公司, formerly known as Guangzhou Bozhong Pharmaceuticals Chain Co. Ltd. 廣州市柏中藥業連鎖有限公司, “Guangzhou Bozhong”) and 100% equity interests in Shenzhen Sipai medical Co., Ltd. (深圳思派診所, formerly known as 深圳市愛丁婦科門診部有限公司 Shenzhen Ibaby

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 36. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS—continued

## (b) Year ended December 31, 2020—continued

Gynecology Clinic Co., Ltd. “Shenzhen Sipai Clinic”) from independent third parties. The acquisitions of Guangzhou Sipai Clinic, Taizhou Quannuo, Beijing Hengren, Guangzhou Bozhong, and Shenzhen Sipai Clinic were accounted for as asset acquisition because Guangzhou Sipai Clinic, Taizhou Quannuo, Beijing Hengren, Guangzhou Bozhong, and Shenzhen Sipai Clinic failed to constitute a business under IFRS 3. Upon completion of the acquisitions, the acquired companies became wholly-owned subsidiaries of the Group. The acquisitions were accounted for as asset acquisition since the Group determined that those activities and assets of acquired equity interests of companies didn't constitute business on the acquisition date acquired.

Identifiable assets acquired and liabilities assumed after allocation of transaction prices of Guangzhou Sipai Clinic, Taizhou Quannuo, Beijing Hengren, Guangzhou Bozhong, and Shenzhen Sipai Clinic as at the dates of acquisition were as follows:

	Notes	Guangzhou Sipai Clinic	Taizhou Quannuo	Beijing Hengren	Guangzhou Bozhong	Shenzhen Sipai Clinic	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents . . . . .		—	390	—	1	—	391
Right-of-use assets . . . . .	17	—	—	—	—	1,732	1,732
Prepayments, other receivables and other assets . . . . .		—	334	1,297	3	554	2,188
Inventories . . . . .		—	978	102	—	—	1,080
Property, plant and equipment . . . . .	15	—	—	—	—	134	134
Other intangible assets . . . . .	16	1,130	—	124	1,796	1,306	4,356
Other payables and accruals . . . . .		—	(1,402)	(517)	—	—	(1,919)
Lease liabilities . . . . .	17	—	—	—	—	(2,146)	(2,146)
Total identifiable assets acquired and liabilities assumed after allocation of transaction price . . . . .		<u>1,130</u>	<u>300</u>	<u>1,006</u>	<u>1,800</u>	<u>1,580</u>	<u>5,816</u>
Satisfied by:							
Cash consideration paid during the year ended December 31, 2020 . . . . .		500	—	1,006	1,800	1,580	4,886
Consideration payable included in other payables and accruals as at December 31, 2020 . . . . .		<u>630</u>	<u>300</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>930</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 36. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS—continued

## (b) Year ended December 31, 2020—continued

An analysis of the cash flows in respect of the above acquisitions is as follows:

	Guangzhou Sipai Clinic	Taizhou Quannuo	Beijing Hengren	Guangzhou Bozhong	Shenzhen Sipai Clinic	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Cash consideration paid during the year ended December 31, 2020 .....	500	—	1,006	1,800	1,580	4,886
Cash and cash equivalents acquired .....	<u>—</u>	<u>390</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>391</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities ..	<u>(500)</u>	<u>390</u>	<u>(1,006)</u>	<u>(1,799)</u>	<u>(1,580)</u>	<u>(4,495)</u>

## (c) Year ended December 31, 2021

During the year ended December 31, 2021, the Group acquired certain assets through acquisition of Shenzhen Nanshan Sipai clinic Co., Ltd (深圳南山思派門診部, formerly known as 深圳全康科興門診部 Shenzhen Quankang clinic Co., Ltd “Shenzhen Nanshan Sipai Clinic”), Suzhou Sipai Pharmacy Co., Ltd (蘇州思派大藥房有限公司, formerly known as 蘇州市相城區陽澄湖鎮老利安藥店有限公司 Suzhou Laolian Pharmacy Co., Ltd “Suzhou Sipai”), Hangzhou Sipai Dongyuan Pharmacy Co., Ltd (杭州思派東苑大藥房有限公司, formerly known as 杭州余杭金訶堂大藥房有限公司 Hangzhou Yuhangjinhentang Pharmacy Co., Ltd “Hangzhou Dongyuan”), Guangxi Nanning Tongjuntang Pharmacy Co. Ltd (廣西南寧桐君堂大藥房有限公司 “Guangxi Nanning Tongjuntang”), Yantai Runyao Pharmacy Co., Ltd. (煙台潤藥大藥房有限公司), Tianjin Kangzhong Pharmacy Co., Ltd. (天津市康眾大藥房有限公司 “Tianjin Kangzhong”), Ningbo Haishu Benqitang Pharmacy Retail Co., Ltd. (寧波市海曙本氣堂醫藥零售有限公司 “Haishu Benqitang”), Linyi Yixin Pharmacy Co., Ltd. (臨沂市宜心大藥房有限公司 “Linyi Yixin”) and Changzhi Sipai Pharmacy Co., Ltd. (長治思派大藥房有限公司, formerly known as 長治九康大藥房有限公司 Changzhi Jiukang Pharmacy Co. Ltd “Changzhi Sipai”) from independent third parties. Upon the completion of acquisitions, the acquired companies became wholly-owned subsidiaries of the Group.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 36. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS—continued

## (c) Year ended December 31, 2021—continued

Identifiable assets acquired and liabilities assumed after allocation of transaction prices of Shenzhen Nanshan Sipai Clinic, Suzhou Sipai, Hangzhou Dongyuan, Guangxi Nanning Tongjuntang, Yantai Runyao Pharmacy Co., Ltd., Tianjin Kangzhong, Haishu Benqitang, Linyi Yixin and Changzhi Sipai as at the dates of acquisition were as follows:

	Notes	Shenzhen Nanshan Sipai Clinic	Suzhou Sipai	Hangzhou Dongyuan	Guangxi Nanning Tongjuntang	Yantai Runyao Pharmacy Co., Ltd.	Tianjin Kangzhong	Haishu Benqitang	Linyi Yixin	Changzhi Sipai	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents		—	—	6	27	348	156	2	2	—	541
Trade and bills receivables		—	—	—	—	—	170	17	—	53	240
Right-of-use assets	17	707	1,647	—	—	131	671	657	—	450	4,263
Prepayments, other receivables and other assets		229	843	25	290	254	—	62	728	58	2,489
Inventories		6	—	16	63	1,707	61	87	1,316	—	3,256
Property, plant and equipment	15	—	—	1	—	42	—	—	—	—	43
Other intangible assets	16	1,747	240	534	309	2,153	2,869	1,111	4,298	1,020	14,281
Trade payables		—	—	—	—	(1,737)	—	(195)	(2,028)	—	(3,960)
Other payables and accruals		—	(692)	(282)	(439)	(626)	(24)	(144)	(18)	(131)	(2,356)
Lease liabilities	17	(769)	(1,538)	—	—	(119)	(671)	(657)	—	(450)	(4,204)
Total identifiable assets acquired and liabilities assumed after allocation of transaction price		<u>1,920</u>	<u>500</u>	<u>300</u>	<u>250</u>	<u>2,153</u>	<u>3,232</u>	<u>940</u>	<u>4,298</u>	<u>1,000</u>	<u>14,593</u>
Non-controlling interests		—	—	—	—	153	—	—	343	—	496
Satisfied by:											
Cash consideration paid during the year ended December 31, 2021		576	500	300	250	1,800	3,232	940	1,978	100	9,676
Consideration payable included in other payables and accruals as at December 31, 2021		<u>1,344</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>200</u>	<u>—</u>	<u>—</u>	<u>1,977</u>	<u>900</u>	<u>4,421</u>



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 36. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS—continued

## (c) Year ended December 31, 2021—continued

An analysis of the cash flows in respect of the above acquisitions is as follows:

	Shenzhen Nanshan Sipai Clinic	Suzhou Sipai	Hangzhou Dongyuan	Guangxi Nanning Tongjuntang	Yantai Runyao Pharmacy Co., Ltd.	Tianjin Kangzhong	Haishu Benqitang	Linyi Yixin	Changzhi Sipai	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash consideration paid during the year ended December 31, 2021 .....	576	500	300	250	1,800	3,232	940	1,978	100	9,676
Cash and cash equivalents acquired .....	—	—	6	27	348	156	2	2	—	541
Net outflow of cash and cash equivalents included in cash flows from investing activities .....	<u>576</u>	<u>500</u>	<u>294</u>	<u>223</u>	<u>1,452</u>	<u>3,076</u>	<u>938</u>	<u>1,976</u>	<u>100</u>	<u>9,135</u>

## 37. DISPOSAL OF SUBSIDIARIES OF OFFLINE CLINIC SERVICES

In June 2021, to focus on the Group's core business, the Group disposed of Spcare Technology Co., Ltd. (the name was subsequently changed to "Medpion Health Technology Co., Ltd." in December 2021, "**Medpion Cayman**") and its subsidiaries (the "Offline Clinic Business"), which was mainly engaged in the clinic business. The Company made a capital injection of US\$40,000,000 (equivalent to RMB258,452,000) into Medpion Cayman to support the future business development of the disposal group before transferring all the shares of Medpion Cayman to the existing shareholders of the Company in proportion to their shareholdings in the Company at nil consideration. The disposal of the Group's Offline Clinic Business was made by distribution of the shares of Medpion Cayman to owners of the Group in their capacity as owners. Therefore, the transaction was accounted for as a deemed distribution of the Offline Clinic Business to owners of the Group. The excess of the carrying amount of net assets transferred over the disposal consideration is recorded in other reserve. Details of the disposal are disclosed in the section headed "HISTORY, REORGANIZATION AND CORPORATE STRUCTURE—Exclusion of Offline Clinic Business" in the Prospectus.

The following table summarizes the carrying amount of net assets of the disposal group:

Carrying amount of net assets attributable to the Group .....	<u>As at the date of disposal</u> RMB'000 243,697
---	---

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**

## 37. DISPOSAL OF SUBSIDIARIES OF OFFLINE CLINIC SERVICES—continued

The aggregate carrying amounts of assets and liabilities of subsidiaries of offline clinic services as at the date of disposal were:

	<u>Notes</u>	<u>As at the date of disposal</u>
		<u>RMB'000</u>
Cash and cash equivalents . . . . .		262,565
Trade and bills receivables . . . . .		3,729
Right-of-use assets . . . . .	17	8,851
Prepayments, other receivables and other assets . . . . .		1,983
Amounts due from related parties and the Group . . . . .		101,588
Inventories . . . . .		19
Property, plant and equipment . . . . .	15	2,693
Other intangible assets . . . . .	16	3,884
Trade payables . . . . .		(36)
Contract liabilities . . . . .		(49)
Other payables and accruals . . . . .		(2,959)
Amounts due to the Group . . . . .		(129,817)
Lease liabilities . . . . .	17	(8,754)
Net assets attributable to the Group . . . . .		<u>243,697</u>

The directors of the Company consider that the carrying amounts of assets and liabilities of subsidiaries of offline clinic services approximate to their fair values at the date of disposal.

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<u>Year ended December 31, 2021</u>
	<u>RMB'000</u>
<b>Cash outflow on disposal of subsidiaries, net of cash disposed of</b>	
Cash consideration received during the year . . . . .	—
Cash and cash equivalents . . . . .	(4,113)
Capital injection to Medpion Cayman immediately before the disposal . . . . .	(258,452)
Net cash outflow through disposal of financing activities . . . . .	<u>(262,565)</u>

## 38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

## (a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets of RMB40,124,000, RMB20,668,000, RMB64,033,000 and RMB11,199,000 and non-cash additions to lease liabilities of RMB40,124,000, RMB20,668,000, RMB64,033,000 and RMB11,199,000 respectively, in respect of lease arrangements for buildings.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

## (b) Changes in liabilities arising from financing activities

	Convertible redeemable preferred shares	Lease liabilities	Accrued listing expenses including in other payables and accruals	Advance payments received for subscription of share options	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At January 1, 2019 .....	867,718	42,971	—	—	910,689
Changes from financing cash flows ...	573,655	(22,290)	—	—	551,365
Exchange adjustment .....	12,678	—	—	—	12,678
Change in fair value .....	320,092	—	—	—	320,092
Accretion of interest recognized during the year .....	—	2,877	—	—	2,877
New lease addition .....	—	40,124	—	—	40,124
Increase arising from acquisition of subsidiaries (notes 35, 36) .....	—	4,734	—	—	4,734
Termination of lease .....	—	(2,024)	—	—	(2,024)
At December 31, 2019 and January 1, 2020 .....	<u>1,774,143</u>	<u>66,392</u>	<u>—</u>	<u>—</u>	<u>1,840,535</u>
Changes from financing cash flows ...	1,340,485	(29,146)	—	—	1,311,339
Exchange adjustment .....	(153,240)	—	—	—	(153,240)
Change in fair value .....	657,344	—	—	—	657,344
Accretion of interest recognized during the year .....	—	3,527	—	—	3,527
New lease addition .....	—	20,668	—	—	20,668
Increase arising from acquisition of subsidiaries (note 36) .....	—	2,146	—	—	2,146
At December 31, 2020 and January 1, 2021 .....	<u>3,618,732</u>	<u>63,587</u>	<u>—</u>	<u>—</u>	<u>3,682,319</u>
Changes from financing cash flows ...	919,900	(38,221)	(3,983)	7,114	884,810
Changes from operating cash flows ...	—	—	(16,303)	—	(16,303)
Exchange adjustment .....	(129,269)	—	—	—	(129,269)
Change in fair value .....	3,048,428	—	—	—	3,048,428
Payables arising from repurchase of the convertible redeemable preferred shares .....	(22,953)	—	—	—	(22,953)
Accretion of interest recognized during the year .....	—	3,688	—	—	3,688
New lease addition .....	—	64,033	—	—	64,033
Increase arising from acquisition of subsidiaries (notes 35, 36) .....	—	6,261	—	—	6,261
Termination of lease .....	—	(3,576)	—	—	(3,576)
Disposal of subsidiaries (note 37) ....	—	(8,754)	—	—	(8,754)

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

## (b) Changes in liabilities arising from financing activities—continued

	Convertible redeemable preferred shares	Lease liabilities	Accrued listing expenses including in other payables and accruals	Advance payments received for subscription of share options	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Increase in deferred listing expenses . . . . .	—	—	6,885	—	6,885
Increase listing expenses including in administrative expenses . . . . .	—	—	28,497	—	28,497
At December 31, 2021 and January 1, 2022 . . . . .	<u>7,434,838</u>	<u>87,018</u>	<u>15,096</u>	<u>7,114</u>	<u>7,544,066</u>
Changes from financing cash flows . . .	—	(14,186)	(941)	959	(14,168)
Changes from operating cash flows . . .	—	—	(3,806)	—	(3,806)
Exchange adjustment . . . . .	394,459	—	—	—	394,459
Change in fair value . . . . .	85,101	—	—	—	85,101
Accretion of interest recognized during the year . . . . .	—	1,956	—	—	1,956
New lease addition . . . . .	—	11,199	—	—	11,199
Termination of lease . . . . .	—	(3,368)	—	—	(3,368)
Decrease in deferred listing expenses . . . . .	—	—	(6,285)	—	(6,285)
Increase listing expenses including in administrative expenses . . . . .	—	—	12,114	—	12,114
At June 30, 2022 . . . . .	<u>7,914,398</u>	<u>82,619</u>	<u>16,178</u>	<u>8,073</u>	<u>8,021,268</u>

During the Relevant Periods, the total cash outflow for leases included in the consolidated statements of cash flows was RMB26,452,000, RMB33,150,000, RMB44,219,000 and RMB17,317,000, respectively, among which RMB4,162,000, RMB4,004,000, RMB5,998,000 and RMB3,131,000 were within operating activities, RMB22,290,000, RMB29,146,000, RMB38,221,000 and RMB14,186,000 were within financing activities.

## 39. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	<u>As at December 31, 2019</u>	<u>As at December 31, 2020</u>	<u>As at December 31, 2021</u>	<u>As at June 30, 2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Contracted, but not provided for:				
Purchases of property, plant and equipment . . . . .	<u>798</u>	<u>686</u>	<u>578</u>	<u>317</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 40. RELATED PARTY TRANSACTIONS

## (a) Names and relationships

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Sinopharm Holdings Smart Pharmacy (Hubei) Co., Ltd (國藥控股思維特大藥房(湖北)有限公司) .....	Associate
Tencent Cloud (Beijing) Co., Ltd. ....	Controlled by Tencent*
Tencent Technology (Shenzhen) Co., Ltd. ....	Controlled by Tencent*
Tencent Technology (Chengdu) Co., Ltd. ....	Controlled by Tencent*
Shenzhen Tencent Venture Base Development Co., Ltd. ....	Controlled by Tencent*
Shenzhen Tencent Computer Systems Co., Ltd .....	Controlled by Tencent*
Tenpay Technology Company Limited .....	Controlled by Tencent*
Medpion Cayman and its subsidiaries .....	Entities controlled by same shareholders of the Group**
Beijing Kangnuo Medical Investment Management Co., Ltd. (北京慷諾醫療投資管理有限公司) .....	Minority shareholder***

\* Tencent was a major shareholder of the Company which owned over 20% voting rights of the Company during the Relevant Periods and the six months ended June 30, 2021.

\*\* Medpion Cayman and its subsidiaries were voluntarily disclosed as related parties by the Group since June 23, 2021 with the disposal as set out in note 37 to the Historical Financial Information because the shareholding structure of Medpion Cayman substantially mirrored the Company's shareholding structure before Series F financing.

\*\*\* Beijing Kangnuo Medical Investment Management Co., Ltd. was a major shareholder of Beijing Renbo as of December 31, 2021.

## (b) Significant related party transactions

In addition to the disposal of Medpion Cayman and its subsidiaries as detailed in note 37, the Group had the following material related party transactions during the Relevant Periods and the six months ended June 30, 2021:

Notes	Year ended December 31, 2019 RMB'000	Year ended December 31, 2020 RMB'000	Year ended December 31, 2021 RMB'000	Six months ended June 30, 2021 RMB'000 (unaudited)	Six months ended June 30, 2022 RMB'000
<b>Sales of products</b>					
Associate .....	(a) 363	1,650	671	1,753	437
<b>Rendering of services</b>					
Associate .....	(a) 542	574	475	367	—
Controlled by Tencent .....	(a) 3,388	—	6,843	6,423	133
Medpion Cayman and its subsidiaries .....	(a) —	—	2,101	—	—
	<u>3,930</u>	<u>574</u>	<u>9,419</u>	<u>6,790</u>	<u>133</u>
<b>Purchase of technology support services</b>					
Controlled by Tencent .....	(b) <u>1,175</u>	<u>1,466</u>	<u>1,772</u>	<u>1,764</u>	<u>478</u>
<b>Purchase of consulting services</b>					
Medpion Cayman and its subsidiaries .....	(b) —	—	<u>1,754</u>	—	<u>1,161</u>
<b>Purchase of payment services</b>					
Controlled by Tencent .....	(b) —	<u>1,759</u>	<u>3,682</u>	<u>1,048</u>	<u>3,253</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 40. RELATED PARTY TRANSACTIONS—continued

## (b) Significant related party transactions—continued

*Notes:*

- (a) The sales to an associate and the service rendered to an associate, entities controlled by Tencent and entities controlled by same shareholders of the Group were based on arm's length negotiation between the Group and an associate or between the Group and entities controlled by Tencent on a cost-plus basis with reference to the expected cost of promotion work that Group have completed.
- (b) The directors consider that the purchases of services from entities controlled by Tencent were based on arm's length negotiation between the Group and entities controlled by Tencent with reference to market rates.

## (c) Outstanding balances with related parties

	Notes	Nature	As at	As at	As at	As at
			December 31,	December 31,	December 31,	June 30,
			2019	2020	2021	2022
			RMB'000	RMB'000	RMB'000	RMB'000
<b>Amounts due from related parties:</b>						
<b>Trade and bills receivables</b>						
Associate	(a)	trade	—	362	130	—
Controlled by Tencent	(b)	trade	—	—	403	58
Medpion Cayman and its subsidiaries	(b)	trade	—	—	2,227	—
<b>Other receivables</b>						
Medpion Cayman and its subsidiaries	(c)	non-trade	—	—	4,639	—
<b>Prepayments</b>						
Controlled by Tencent	(d)	trade	181	227	267	1,877
			<u>181</u>	<u>589</u>	<u>7,666</u>	<u>1,935</u>
<b>Amounts due to related parties:</b>						
<b>Other payables</b>						
Associate	(e)	trade	—	—	1,232	703
Medpion Cayman and its subsidiaries	(f)	non-trade	—	—	392	—
Medpion Cayman and its subsidiaries	(g)	trade	—	—	—	1,161
<b>Dividends payables</b>						
Beijing Kangnuo Medical Investment Management Co., Ltd.		non-trade	—	—	1,254	—
			<u>—</u>	<u>—</u>	<u>2,878</u>	<u>1,864</u>

The balances with related parties are unsecured and non-interest-bearing.

*Notes:*

- (a) The outstanding balances are receivables for the sales of goods and provision of service.
- (b) The outstanding balances are receivables for the provision of service.
- (c) The outstanding balances are receivables for service fee collected from a third party by Medpion Cayman and its subsidiaries on behalf of the Group before the disposal of Medpion Cayman and its subsidiaries as detailed in note 37.
- (d) The outstanding balances are receivables for the purchase of cloud servers.
- (e) The outstanding balances are payables for the settlement of price adjustment compensation.
- (f) The outstanding balances are payables for payments by the related parties on behalf of the Group.
- (g) The outstanding balances are payables for the provision of health management service.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 40. RELATED PARTY TRANSACTIONS—continued

## (d) Compensation of key management personnel of the Group:

The remuneration of key management personnels was as follows:

	Year ended December 31, 2019 <i>RMB'000</i>	Year ended December 31, 2020 <i>RMB'000</i>	Year ended December 31, 2021 <i>RMB'000</i>	Six months ended June 30, 2021 <i>RMB'000</i> (unaudited)	Six months ended June 30, 2022 <i>RMB'000</i>
Salaries, bonuses, allowances and benefits in kind . . . . .	8,424	9,286	6,174	3,083	3,075
Pension scheme contributions . . . . .	214	32	133	66	68
Share-based payment compensation . . . . .	1,229	96,122	218,769	103,982	73,660
Total compensation paid to key management personnel . . . . .	<u>9,867</u>	<u>105,440</u>	<u>225,076</u>	<u>107,131</u>	<u>76,803</u>

Further details of directors' remuneration are set out in note 10 to the Historical Financial Information.

## 41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

<b>Financial assets</b>	As at December 31, 2019 <i>RMB'000</i>	As at December 31, 2020 <i>RMB'000</i>	As at December 31, 2021 <i>RMB'000</i>	As at June 30, 2022 <i>RMB'000</i>
Financial assets at FVTPL:				
Monetary fund . . . . .	84,637	3	—	—
Wealth management products . . . . .	306,638	38,057	1,067,321	—
	<u>391,275</u>	<u>38,060</u>	<u>1,067,321</u>	<u>—</u>
Financial assets at amortised cost:				
Trade and bills receivables . . . . .	38,717	44,602	171,195	258,035
Financial assets included in prepayments, other receivables and other assets . . . . .	23,575	59,942	118,969	98,321
Time deposits . . . . .	5,000	5,048	5,048	5,097
Pledged deposits . . . . .	—	—	—	73,200
Cash held on behalf of client . . . . .	8,179	145,624	166,179	288,131
Amounts due from related parties . . . . .	181	589	7,666	1,935
Cash and cash equivalents . . . . .	199,110	1,628,021	535,849	1,366,423
	<u>274,762</u>	<u>1,883,826</u>	<u>1,004,906</u>	<u>2,091,142</u>
<b>Financial liabilities</b>				
Financial liabilities at FVTPL:				
Convertible redeemable preferred shares . . . . .	1,774,143	3,618,732	7,434,838	7,914,398
Contingent consideration payables . . . . .	—	—	24,467	24,467
	<u>1,774,143</u>	<u>3,618,732</u>	<u>7,459,305</u>	<u>7,938,865</u>
Financial liabilities at amortised cost:				
Trade payables . . . . .	160,612	230,464	237,155	317,629
Financial liabilities included in other payables and accruals . . . . .	35,147	169,372	224,518	317,514
Amounts due to related parties . . . . .	—	—	2,878	1,864
	<u>195,759</u>	<u>399,836</u>	<u>464,551</u>	<u>637,007</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

*Fair values*

Management has assessed that the fair values of cash and cash equivalents, time deposits, pledged deposits, trade and bills receivables, trade payables, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, financial liabilities included in other payables and accruals and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the financial director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in unlisted investments, mainly composed of wealth management products and monetary fund provided by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of the convertible redeemable preferred shares measured at FVTPL are determined using the Black-Scholes option pricing model. Further details are set out in note 31 to the Historical Financial Information. The fair value of contingent consideration payables is determined using the discounted cash flow method. Further details are set out in note 35 to the Historical Financial Information.

As at December 31, 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	
<b>Financial assets</b>				
Financial assets at FVTPL .....	—	391,275	—	391,275
<b>Financial liabilities</b>				
Convertible redeemable preferred shares .....	—	—	1,774,143	1,774,143

As at December 31, 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	
<b>Financial assets</b>				
Financial assets at FVTPL .....	—	38,060	—	38,060
<b>Financial liabilities</b>				
Convertible redeemable preferred shares .....	—	—	3,618,732	3,618,732



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

*Fair values—continued*

As at December 31, 2021

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Financial assets at FVTPL .....	—	1,067,321	—	1,067,321
<b>Financial liabilities</b>				
Convertible redeemable preferred shares .....	—	—	7,434,838	7,434,838
Contingent consideration payables .....	—	—	24,467	24,467
	—	—	7,459,305	7,459,305

As at June 30, 2022

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Financial assets at FVTPL .....	—	—	—	—
<b>Financial liabilities</b>				
Convertible redeemable preferred shares .....	—	—	7,914,398	7,914,398
Contingent consideration payables .....	—	—	24,467	24,467
	—	—	7,938,865	7,938,865

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Convertible redeemable preferred shares	Black-Scholes option pricing model	Risk-free interest rate	0.50%-3.01%	note a
		Discount of lack of marketability (“DLOM”)	5.50%-27.50%	note b
		Volatility	34.34%-37.34%	note c
Contingent consideration payables	Discounted cash flow method	Probability of achievement of net profit target	90%	note d

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

### 42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

#### *Fair values—continued*

##### *Notes:*

- a. 1% increase/decrease in risk-free interest rate, with all other variables held constant, would decrease/increase the fair value of convertible redeemable preferred shares by RMB10,903,000/RMB4,626,000, RMB9,017,000/nil, RMB7,781,000/RMB6,799,000 and RMB6,199,000/RMB7,458,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022. The risk-free interest rate was less than 1% as at December 31, 2020. As such the fair value makes a tiny change in case of 1% decrease in risk-free interest rate.
- b. 1% increase/decrease in DLOM, with all other variables held constant, would decrease/increase the fair value of convertible redeemable preferred shares by RMB21,698,000/RMB16,990,000, RMB40,061,000/RMB42,313,000, RMB68,510,000/RMB68,071,000 and RMB72,977,000/RMB72,762,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022.
- c. 1% increase/decrease in volatility, with all other variables held constant, would decrease/increase the fair value of convertible redeemable preferred shares by RMB3,038,000/RMB631,000, RMB1,067,000/RMB6,588,000 and RMB347,000/RMB341,000 as at December 31, 2019 and 2020 and June 30, 2022, and would decrease the fair value of convertible redeemable preferred shares by RMB1,677,000/RMB24,000 as at December 31, 2021.
- d. 10% increase/decrease in probability of achievement of net profit target, with all other variables held constant, would increase/decrease the fair value of contingent consideration payables by RMB2,719,000/RMB2,310,000 and RMB2,833,000/RMB2,627,000 as at December 31, 2021 and June 30, 2022.

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, time deposits, pledged deposits, financial assets at FVTPL and convertible redeemable preferred shares. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

#### *Foreign currency risk*

The Group has transactional currency exposures. Such exposures arise from such exposures arise from financing activities by subsidiaries in currencies other than the subsidiaries' functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's loss before tax and equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in rate of foreign currency %	Decrease/ (increase) in loss before tax RMB'000	Increase/ (decrease) in equity RMB'000
December 31, 2019			
If RMB weakens against USD	5	9	7
If RMB strengthens against USD	(5)	(9)	(7)
December 31, 2020			
If RMB weakens against USD	5	(43,963)	(36,710)
If RMB strengthens against USD	(5)	43,963	36,710

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

*Foreign currency risk—continued*

	Increase/ (decrease) in rate of foreign currency <u>%</u>	Decrease/ (increase) in loss before tax <u>RMB'000</u>	Increase/ (decrease) in equity <u>RMB'000</u>
December 31, 2021			
If RMB weakens against USD .....	5	(36)	(32)
If RMB strengthens against USD .....	(5)	36	32
June 30, 2022			
If RMB weakens against USD .....	5	(30)	(26)
If RMB strengthens against USD .....	(5)	30	26

*Credit risk*

An impairment analysis was performed at December 31, 2019, 2020 and 2021 and June 30, 2022 using a provision matrix to measure expected credit losses. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

*Maximum exposure and year-end staging as at December 31, 2019, 2020 and 2021 and June 30, 2022*

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on aging information unless other information is available without undue cost or effort, and staging classification as at December 31, 2019, 2020 and 2021 and June 30, 2022. The amounts presented are gross carrying amounts for financial assets.

**At December 31, 2019**

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade and bills receivables* .....	—	—	—	40,112	40,112
Contract assets* .....	—	—	—	51,873	51,873
Financial assets included in prepayments, other receivables and other assets .....	23,575	—	—	—	23,575
Time deposits .....	5,000	—	—	—	5,000
Cash held on behalf of client .....	8,179	—	—	—	8,179
Cash and cash equivalents .....	199,110	—	—	—	199,110
	<u>235,864</u>	<u>—</u>	<u>—</u>	<u>91,985</u>	<u>327,849</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Maximum exposure and year-end staging as at December 31, 2019, 2020 and 2021 and June 30, 2022—continued

## At December 31, 2020

	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	—	—	—	50,358	50,358
Contract assets*	—	—	—	75,906	75,906
Financial assets included in prepayments, other receivables and other assets	59,942	—	—	—	59,942
Amounts due from related parties	362	—	—	—	362
Time deposits	5,048	—	—	—	5,048
Cash held on behalf of client	145,624	—	—	—	145,624
Cash and cash equivalents	1,628,021	—	—	—	1,628,021
	<u>1,838,997</u>	<u>—</u>	<u>—</u>	<u>126,264</u>	<u>1,965,261</u>

## At December 31, 2021

	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	—	—	—	179,868	179,868
Contract assets*	—	—	—	107,013	107,013
Financial assets included in prepayments, other receivables and other assets	121,180	—	—	—	121,180
Amounts due from related parties	7,399	—	—	—	7,399
Time deposits	5,048	—	—	—	5,048
Cash held on behalf of client	166,179	—	—	—	166,179
Cash and cash equivalents	535,849	—	—	—	535,849
	<u>835,655</u>	<u>—</u>	<u>—</u>	<u>286,881</u>	<u>1,122,536</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Maximum exposure and year-end staging as at December 31, 2019, 2020 and 2021 and June 30, 2022—continued

At June 30, 2022

	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	—	—	—	271,054	271,054
Contract assets*	—	—	—	115,893	115,893
Financial assets included in prepayments, other receivables and other assets	99,770	—	—	—	99,770
Amounts due from related parties	58	—	—	—	58
Time deposit	5,097	—	—	—	5,097
Pledged deposits	73,200	—	—	—	73,200
Cash held on behalf of client	288,131	—	—	—	288,131
Cash and cash equivalents	1,366,423	—	—	—	1,366,423
	<u>1,832,679</u>	<u>—</u>	<u>—</u>	<u>386,947</u>	<u>2,219,626</u>

\* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23 and 24 to the Historical Financial Information respectively.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract such as a default or past due event
- it is probable that the debtor will enter into bankruptcy or other financial reorganization

The Group has established a policy to perform an assessment of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Management makes periodic collective assessments for financial assets included in prepayments, other receivables and other assets as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group recognized allowance for financial assets other than trade and bills receivables based on 12-month ECLs and adjusts for forward-looking macroeconomic data.

#### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and lease liabilities. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

*Liquidity risk—continued*

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

The Group

	As at December 31, 2019				
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Convertible redeemable preferred shares . . . . .	—	—	—	1,774,143	1,774,143
Trade payables . . . . .	160,612	—	—	—	160,612
Financial liabilities included in other payables and accruals . . . . .	35,147	—	—	—	35,147
Lease liabilities . . . . .	6,228	20,778	45,725	908	73,639
	<u>201,987</u>	<u>20,778</u>	<u>45,725</u>	<u>1,775,051</u>	<u>2,043,541</u>
	As at December 31, 2020				
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Convertible redeemable preferred shares . . . . .	—	—	—	3,618,732	3,618,732
Trade payables . . . . .	230,464	—	—	—	230,464
Financial liabilities included in other payables and accruals . . . . .	169,372	—	—	—	169,372
Lease liabilities . . . . .	7,424	21,223	38,226	311	67,184
	<u>407,260</u>	<u>21,223</u>	<u>38,226</u>	<u>3,619,043</u>	<u>4,085,752</u>
	As at December 31, 2021				
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Convertible redeemable preferred shares . . . . .	—	—	—	7,434,838	7,434,838
Trade payables . . . . .	237,155	—	—	—	237,155
Financial liabilities included in other payables and accruals . . . . .	224,518	—	—	—	224,518
Contingent consideration payables . . . . .	—	23,100	4,200	—	27,300
Amounts due to related parties . . . . .	2,878	—	—	—	2,878
Lease liabilities . . . . .	9,211	27,482	55,589	981	93,263
	<u>473,762</u>	<u>50,582</u>	<u>59,789</u>	<u>7,435,819</u>	<u>8,019,952</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

*Liquidity risk—continued*The Group—continued

	As at June 30, 2022				
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Convertible redeemable preferred shares . . . . .	—	—	7,914,398	—	7,914,398
Trade payables . . . . .	317,629	—	—	—	317,629
Financial liabilities included in other payables and accruals . . . . .	317,514	—	—	—	317,514
Contingent consideration payables . . . . .	23,100	4,200	—	—	27,300
Amounts due to related parties . . . . .	1,864	—	—	—	1,864
Lease liabilities . . . . .	10,687	25,462	49,749	1,370	87,268
	<u>670,794</u>	<u>29,662</u>	<u>7,964,147</u>	<u>1,370</u>	<u>8,665,973</u>

*Capital management*

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The asset-liability ratios as at the end of each of the Relevant Periods are as follows:

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets . . . . .	<u>1,151,106</u>	<u>2,478,598</u>	<u>2,892,819</u>	<u>2,905,151</u>
Total liabilities . . . . .	<u>2,158,043</u>	<u>4,270,245</u>	<u>8,323,729</u>	<u>8,968,090</u>
Asset-liability ratio . . . . .	<u>187%</u>	<u>172%</u>	<u>288%</u>	<u>309%</u>

Note: Asset-liability ratio is calculated by dividing total liabilities by total assets and multiplying the product by 100%.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued****44. EVENTS AFTER THE RELEVANT PERIODS**

In October 2022, the Company repurchased 2,668,776 ordinary shares with par value of USD0.0001 from two special purpose vehicle shareholders. The repurchased ordinary shares were reserved for 2017 Share Option Plan and had not been granted to any eligible award recipient before the repurchase. Details of the repurchase of shares of the Company are set out in the section headed “HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE” in the Prospectus.

On October 25, 2022, the Company granted 10,004,000 restricted shares held in Sail Far Holdings Limited under 2021 RSU Scheme to an employee of the Group.

On October 27, 2022, the deposit of RMB130 million as detailed in note 25 was fully returned to the Group pursuant to the second supplemental agreement entered in October 2022.

**45. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2022.



*The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.*

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the parent as if the Global Offering had taken place on June 30, 2022.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group to owners of the parent had the Global Offering been completed as of June 30, 2022 or as at any future dates.

	Audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at June 30, 2022	Estimated net Proceeds from the Global Offering	Estimated impact to the consolidated net tangible liabilities upon the conversion of convertible redeemable preferred shares	Unaudited pro forma adjusted consolidated net tangible assets as at June 30, 2022	Unaudited pro forma adjusted consolidated net tangible assets per Share as at June 30, 2022	
	<u>RMB'000</u> (Note 1)	<u>RMB'000</u> (Note 2)	<u>(Note 3)</u>	<u>RMB'000</u>	<u>RMB</u> (Note 4)	<u>HK\$</u> (Note 5)
<b>Based on an Offer Price of</b>						
<b>HK\$18.60 per Share . . . .</b>	<u>(6,195,636)</u>	<u>149,835</u>	<u>7,914,398</u>	<u>1,868,597</u>	<u>2.44</u>	<u>2.70</u>

*Notes:*

- The consolidated net tangible asset of the Group attributable to equity holders of the Company as at June 30, 2022 was equal to the audited net liabilities attributable to owners of the Company as at June 30, 2022 of RMB(6,062,083,000) after deducting other intangible assets attributable to owners of the Company of RMB53,730,000 and goodwill of RMB79,823,000 as set out in the Accountants' Report in Appendix I to this Prospectus. The intangible assets attributable to owners of the Company as at June 30, 2022 had excluded other intangible assets of RMB6,325,000 attributable to non-controlling shareholders from total intangible assets of the Group.
- The estimated net proceeds from the Global Offering are based on an estimated offer price of HK\$18.60 per Share after deduction of the underwriting fees and other related expenses (excluding listing expense of RMB40,897,000 which has been accounted for in the Group's consolidated statements of profit or loss prior to June 30, 2022) payable by the Company and do not take into account any share which may be sold and offered upon exercise of the Over-allotment Option.
- Upon the Listing and the completion of the Global Offering, all convertible redeemable preferred shares will be automatically converted into Ordinary Shares. The convertible redeemable preferred shares will then be transferred from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible liabilities attributable to owners of the parent will be decreased by RMB7,914,398,000 being the carrying amounts of the convertible redeemable preferred shares as at June 30, 2022.
- The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred in note 2 above and on the basis of 765,694,090 Shares are in issue, assuming that the Global Offering has been completed on June 30, 2022 but does not take into account any Shares (i) which may be issued and allotted pursuant to the exercise of the Over-allotment Option or (ii) which may be repurchased by the Company subsequent to June 30, 2022 or (iii) which may be issued and allotted to certain special purpose vehicles in order to facilitate the administration of employee incentive plans subsequent to June 30, 2022.
- For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in RMB are converted into HK\$ at the rate of RMB1.0000 to HK\$1.1055.

6. The unaudited pro forma adjusted consolidated net tangible assets per Share as at June 30, 2022 would then be further adjusted to RMB2.45 or HK\$2.71 (based on the estimated offer price of HK\$18.60), assuming that the repurchase of 2,668,776 ordinary shares by the Company in October 2022 (details are set out in note 44 to the Accountants' Report in Appendix I to this Prospectus) had been completed as at June 30, 2022 and do not take into account any share (i) which may be issued and allotted pursuant to the exercise of the Overallotment Option or (ii) which may be issued and allotted to certain special purpose vehicles in order to facilitate the administration of employee incentive plans subsequent to June 30, 2022.
7. Except as disclosed above, no adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2022.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the pro forma financial information of the Group.*



Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

安永會計師事務所  
香港鰂魚涌英皇道 979 號  
太古坊一座 27 樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

**To the Directors of Sipai Health Technology Co., Ltd.**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Sipai Health Technology Co., Ltd. (the “Company”, formerly known as Medbanks Health Technology Co., Ltd. and ThinkGeek Network Technology Co., Ltd.) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at June 30, 2022, and related notes as set out on pages II-1 to II-2 of the prospectus dated December 12, 2022 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Part A of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at June 30, 2022 as if the transaction had taken place at June 30, 2022. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended June 30, 2022, on which an accountants’ report has been published.

*Directors’ responsibility for the Pro Forma Financial Information*

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

*Our independence and quality control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

*Reporting accountants' responsibilities*

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion*

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

***Ernst & Young***

*Certified Public Accountants*

Hong Kong

December 12, 2022

## **SUMMARY OF THE CONSTITUTION OF THE COMPANY**

### **1 Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on December 1, 2022 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is available on display as specified in Appendix V in “Documents Delivered to the Registrar of Companies and on Display” in this prospectus.

### **2 Articles of Association**

The Articles of Association of the Company were conditionally adopted on December 1, 2022 and include provisions to the following effect:

#### **2.1 Classes of Shares**

The share capital of the Company consists of ordinary shares. The authorized share capital of the Company at the date of adoption of the Articles is US\$200,000 divided into 2,000,000,000 shares of US\$0.0001 each.

#### **2.2 Directors**

##### ***(a) Power to allot and issue Shares***

Subject to the provisions of the Cayman Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Cayman Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

##### ***(b) Power to dispose of the assets of the Company or any subsidiary***

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Cayman Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the

---

**APPENDIX III      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN COMPANIES ACT**

---

provisions of the Cayman Companies Act and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

***(c) Compensation or payment for loss of office***

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

***(d) Loans to Directors***

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

***(e) Financial assistance to purchase Shares***

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

***(f) Disclosure of interest in contracts with the Company or any of its subsidiaries***

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

---

**APPENDIX III      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN COMPANIES ACT**

---

- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
  - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
  - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

***(g) Remuneration***

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of



---

**APPENDIX III      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN COMPANIES ACT**

---

salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

***(h) Retirement, appointment and removal***

The number of Directors shall not be less than two.

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director).

The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors and which Directors who are to retire by rotation at such meeting.

No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors. The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

---

**APPENDIX III      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN COMPANIES ACT**

---

- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by a notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

**(i) *Borrowing powers***

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

**(j) *Proceedings of the Board***

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**2.3 Alteration to constitutional documents**

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

**2.4 Variation of rights of existing shares or classes of shares**

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

---

**APPENDIX III      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN COMPANIES ACT**

---

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### **2.5 Alteration of capital**

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Cayman Companies Act; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Cayman Companies Act.

### **2.6 Special resolution—majority required**

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting of which notice specifying the intention to propose the resolution

---

**APPENDIX III      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN COMPANIES ACT**

---

as a special resolution has been duly given and includes a special resolution signed by all members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly appointed representatives), and any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member to sign.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

### **2.7 Voting rights**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any meeting of the Company (including general meeting, creditors meeting of the Company) and any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the

authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

All members for the time being entitled to receive notice of and to attend and vote at general meetings (or, in the case of a member being a corporation, its duly authorized representative), shall have the right to speak at any general meetings of the Company.

### **2.8 Annual general meetings and extraordinary general meetings**

The Company must hold a general meeting as its annual general meeting each financial year. Such meeting must be held within six months after the end of the Company's financial year. The annual general meeting shall be specified as such in the notices calling it.

Extraordinary general meetings may be convened on the requisition of one or more shareholders (or any one member which is a recognized clearing house (or its nominee(s)) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

### **2.9 Accounts and audit**

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Act or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a statement of financial position as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

---

**APPENDIX III      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN COMPANIES ACT**

---

The appointment, removal and remuneration of an auditor or auditors of the Company shall require the approval of an ordinary resolution of the members in general meeting. The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting; and the remuneration of such auditor(s) shall be fixed by the Company at the annual general meeting at which they are appointed. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting; and the members shall, by ordinary resolution, at that meeting appoint new auditor in its place for the remainder of the term.

**2.10 Notice of meetings and business to be conducted thereat**

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place (except in the case of a Virtual Meeting) and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

**2.11 Transfer of shares**

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may, in its absolute discretion, and without assigning any reason, refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

---

**APPENDIX III      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN COMPANIES ACT**

---

- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

### **2.12 Power of the Company to purchase its own shares**

The Company is empowered by the Cayman Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase. The holder of the shares being purchased shall be bound to deliver up to the Company at its principal place of business in Hong Kong or such other place as the Directors shall specify the certificate(s) thereof, if any, for cancellation and thereupon the Company shall pay to him the purchase or redemption monies in respect thereof.

### **2.13 Power of any subsidiary of the Company to own shares**

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

### **2.14 Dividends and other methods of distribution**

Subject to the Cayman Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

---

**APPENDIX III      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN COMPANIES ACT**

---

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any



---

**APPENDIX III      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN COMPANIES ACT**

---

dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend may be paid or declared, the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

### **2.15 Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

### **2.16 Calls on shares and forfeiture of shares**

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

### **2.17 Inspection of register of members**

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

### **2.18 Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

### **2.19 Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

### **2.20 Procedure on liquidation**

Subject to the Cayman Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be

---

**APPENDIX III      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN COMPANIES ACT**

---

distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

### **2.21 Untraceable members**

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

## **SUMMARY OF CAYMAN COMPANIES ACT AND TAXATION**

### **1 Introduction**

The Cayman Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

## **2    Incorporation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on May 19, 2015 under the Cayman Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

## **3    Share Capital**

The Cayman Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Cayman Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the

directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

#### **4      Dividends and Distributions**

With the exception of section 34 of the Cayman Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

#### **5      Shareholders' Suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

#### **6      Protection of Minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

## **7    Disposal of Assets**

The Cayman Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

## **8    Accounting and Auditing Requirements**

The Cayman Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

## **9    Register of Members**

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

## **10   Inspection of Books and Records**

Members of a company will have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

## **11   Special Resolutions**

The Cayman Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

## **12    Subsidiary Owning Shares in Parent**

The Cayman Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

## **13    Mergers and Consolidations**

The Cayman Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

## **14    Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing 75% in value of creditors or (ii) 75% in value of shareholders or class of shareholders, as the case may be, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

## **15    Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting



shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

#### **16 Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

#### **17 Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

#### **18 Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

#### **19 Taxation**

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands for a period of twenty years from August 11, 2021:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - (i) on or in respect of the shares, debentures or other obligations of the Company; or
  - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

## **20 Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

## **21 Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 (“**ES Act**”) that came into force on January 1, 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Act. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, if an exempted company incorporated in the Cayman Islands is tax resident outside the Cayman Islands, it will not be required to satisfy the economic substance test set out in the ES Act.

## **22 Scheme of arrangement**

The new section 86(2A) of the Cayman Companies Act, effective on August 31, 2022, provides that if seventy-five per cent in value of the members or class of members, as the case may be, agree to any compromise or arrangement, the compromise or arrangement shall, if sanctioned by the Grand Court of the Cayman Islands, be binding on all the members or class of members, as the case may be, and also on the company or, where a company is in the course of being wound up, on the liquidator and contributories of the company without going through the “headcount test” (i.e. have to be approved by a majority in number representing at least seventy-five per cent in value, of the members who are present and voting either in person or by proxy at the meeting).

## **23 General**

Campbells, the Company’s legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available on display as referred to in “Documents Delivered to the Registrar of Companies and on Display” in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

## A. FURTHER INFORMATION ABOUT OUR GROUP

### 1. Incorporation

Our Company was incorporated under the laws of the Cayman Islands on May 19, 2015 as an exempted company with limited liability. Upon our incorporation, our authorized share capital was US\$50,000 divided into 500,000,000 shares of a par value of US\$0.0001 each.

Our registered office address is at Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in Appendix III.

Our registered place of business in Hong Kong is at 40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 30, 2021 with the Registrar of Companies in Hong Kong. Ms. TSANG Wing Man has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

### 2. Changes in Share Capital of Our Company

As at the date of our incorporation, our authorized share capital was US\$50,000 divided into 500,000,000 shares of a par value of US\$0.0001 each. As of the Latest Practicable Date and immediately prior to the Global Offering (assuming neither the Over-allotment Option nor any outstanding 2017 Plan Option is exercised), the issued share capital of our Company was US\$75,310,5914 divided into 216,530,455 Ordinary Shares and 536,575,459 Preferred Shares. Immediately following the completion of the Global Offering (assuming neither the Over-allotment Option nor any outstanding 2017 Plan Option is exercised), the issued share capital of the Company will be US\$76,302,5314 divided into 763,025,314 Shares, all fully paid or credited as fully paid.

Save as disclosed in "History, Reorganization and Corporate Structure" in this prospectus, there has been no alteration in our share capital within two years immediately preceding the date of this prospectus.

### 3. Changes in the Share Capital of Members of Our Group

A summary of the corporate information and the particulars of our major subsidiaries are set out in Note 1 to the Accountants' Report as set out in Appendix I.

The following sets out the changes in the registered capital of members of our Group within the two years immediately preceding the date of this prospectus:

#### *Sipai Healthcare Investment*

For the details of the changes in the share capital of Sipai Healthcare Investment, see "History, Reorganization and Corporation Structure—Corporate Development of Our Group" in this prospectus.

#### *Sipai Wisdom Pharmacy*

Sipai Wisdom Pharmacy (Guangzhou) Co., Ltd. (思派智慧大藥房 (廣州) 有限公司) ("Sipai Wisdom Pharmacy") is wholly-owned by Sipai Healthcare Investment and Sipai Healthcare Investment contributed the following capital injection to Sipai Wisdom Pharmacy within the two years immediately preceding the date of this prospectus:

<u>Date</u>	<u>November 2019</u>	<u>January 2021</u>	<u>September 2021</u>
<b>Registered capital after capital injection . . . . .</b>	RMB500 million	RMB1,000 million	RMB1,600 million

*Ningbo Sipai Kaiyuan*

In December 2020, Ningbo Sipai Kaiyuan Technology Co., Ltd. (寧波思派開源科技有限公司) (“**Ningbo Sipai Kaiyuan**”) passed a shareholder’s resolutions for the increase of registered capital from RMB1 million to RMB20 million contributed by Sipai Beijing Network.

In February 2021, Sipai Beijing Network transferred all its equity interest in Ningbo Sipai Kaiyuan, representing 100% equity interest of Ningbo Sipai Kaiyuan, to Ningbo Sipai Zhonghe for nil consideration.

*Ningbo Sipai Huiyuan*

In September 2021, Ningbo Sipai Huiyuan Health Technology Co., Ltd. (寧波思派慧源健康科技有限公司) (formerly known as 寧波思派慧源商務諮詢有限公司) (“**Ningbo Sipai Huiyuan**”) passed a shareholder’s resolutions for the increase of registered capital from RMB1 million to RMB20 million contributed by Sipai Wisdom Pharmacy.

*Guangzhou Sipai Pharmaceuticals*

In March 2020, Guangzhou Sipai Pharmaceuticals Chain Co., Ltd. (廣州市思派藥業連鎖有限公司) (“**Guangzhou Sipai Pharmaceuticals**”) passed a shareholder’s resolutions for the increase of registered capital from RMB2.5 million to RMB2,770,050 contributed by Shanghai Subo Optical Co., Ltd. (上海蘇博眼鏡有限公司) (“**Shanghai Subo**”).

In May 2020, Shanghai Subo transferred all its equity interest in Guangzhou Sipai Pharmaceuticals, representing 100% equity interest of Guangzhou Sipai Pharmaceuticals, to Sipai Wisdom Pharmacy for the consideration of RMB1,800,000.

In December 2021, Guangzhou Sipai Pharmaceuticals passed a shareholder’s resolutions for the increase of registered capital from RMB2,770,050 to RMB58 million contributed by Sipai Wisdom Pharmacy.

*Fuzhou Sipai Pharmacy*

In December 2021, Fuzhou Sipai Pharmacy Co., Ltd. (福州思派大藥房有限公司) (“**Fuzhou Sipai Pharmacy**”) passed a shareholder’s resolutions for the increase of registered capital from RMB1 million to RMB8 million contributed by Beijing Siweite.

*Shanghai Sipai Pharmacy*

In August 2020, Sipai Pharmacy (Shanghai) Co., Ltd. (思派大藥房(上海)有限公司) (“**Shanghai Sipai Pharmacy**”) passed a shareholder’s resolutions for the increase of registered capital from RMB0.3 million to RMB2 million contributed by Beijing Siweite.

*Guangzhou Sipai Healthcare Technology*

In September 2021, Sipai Healthcare Technology (Guangzhou) Co., Ltd. (思派健康技術(廣州)有限公司) (“**Guangzhou Sipai Healthcare Technology**”) passed a shareholder’s resolutions for the increase of registered capital from RMB110 million to RMB300 million contributed by Sipai Healthcare Investment.

***Guangzhou Siyan***

In March 2021, Siyan (Guangzhou) Medical Technology Co., Ltd. (思研(廣州)醫療科技有限公司) (“**Guangzhou Siyan**”) passed a shareholder’s resolutions for the increase of registered capital from RMB110 million to RMB200 million contributed by Sipai Healthcare Investment.

In September 2021, Guangzhou Siyan passed a shareholder’s resolutions for the increase of registered capital from RMB200 million to RMB400 million contributed by Sipai Healthcare Investment.

***Guangzhou Bixun***

In January 2021, Bixun (Guangzhou) Medical Technology Co., Ltd. (比遜(廣州)醫療科技有限公司) (“**Guangzhou Bixun**”) passed a shareholder’s resolutions for the increase of registered capital from RMB110 million to RMB200 million contributed by Guangzhou Siyan.

***Shanghai Bixun***

In March 2021, Bixun (Shanghai) Medical Technology Co., Ltd. (比遜(上海)醫療科技有限公司) (“**Shanghai Bixun**”) passed a shareholder’s resolutions for the increase of registered capital from RMB60 million to RMB100 million contributed by Guangzhou Bixun.

***Ningbo Bixun***

In November 2021, Ningbo Bixun Business Consulting Co. Ltd. (寧波比遜商務諮詢有限公司) (“**Ningbo Bixun**”) passed a shareholder’s resolutions for the increase of registered capital from RMB1 million to RMB20 million contributed by Guangzhou Bixun.

***Shaanxi New Territory Sipai Pharmacy***

In December 2021, Shaanxi New Territory Sipai Pharmacy Co. Ltd. (陝西新領地思派大藥房有限公司) (“**Shaanxi New Territory Sipai Pharmacy**”) passed a shareholder’s resolutions for the increase of registered capital from RMB1 million to RMB15 million contributed by Beijing Siweite.

***Xi’an Sipai Pharmacy***

In December 2021, Xi’an Sipai Pharmacy Co. Ltd. (西安思派大藥房有限公司) (“**Xi’an Sipai Pharmacy**”) passed a shareholder’s resolutions for the increase of registered capital from RMB1 million to RMB15 million contributed by Beijing Siweite.

***Ningbo Sipai Zhonghe***

In September 2021, Ningbo Sipai Zhonghe Health Technology Co. Ltd. (寧波思派眾合健康科技有限公司) (“**Ningbo Sipai Zhonghe**”) passed a shareholder’s resolutions for the increase of registered capital from RMB10 million to RMB200 million contributed by Sipai Healthcare Investment.

***Beijing Hengrenfukang***

In March 2020, Beijing Hengrenfukang Medical Co., Ltd. (北京恒仁福康醫藥有限公司) (“**Beijing Hengrenfukang**”) passed a shareholders’ resolutions for the increase of registered capital from RMB30,000 to RMB900,000 contributed by CAI Yixiao (蔡亦嘯), an Independent Third Party.

In April 2020, each of LI Aiming (李愛明) and CAI Yixiao transferred 1.67% and 98.33% equity interests in Beijing Hengrenkufang to Sipai Wisdom Pharmacy for a total consideration of RMB900,000.

#### *Dalian Sanheyuan Pharmacy*

In May 2020, Dalian Sanheyuan Pharmacy Co., Ltd. (大連三合緣藥房有限公司) (“**Dalian Sanheyuan Pharmacy**”) passed a shareholder’s resolutions for the increase of registered capital from RMB800,000 to RMB5 million contributed by Shenyang Sanheyuan Pharmacy Co., Ltd. (瀋陽三合緣藥房有限公司) (“**Shenyang Sanheyuan Pharmacy**”).

#### *Anshan Sanheyuan Pharmacy*

In April 2020, Anshan Sanheyuan Pharmacy Co., Ltd. (鞍山三合緣藥房有限公司) (“**Anshan Sanheyuan Pharmacy**”) passed a shareholder’s resolutions for the increase of registered capital from RMB800,000 to RMB2 million contributed by Shenyang Sanheyuan Pharmacy.

#### *Ningbo Haishu Benqitang*

In September 2021, Ningbo Haishu Benqitang Pharmaceuticals Retail Co., Ltd. (寧波市海曙本氣堂醫藥零售有限公司) (“**Ningbo Haishu Benqitang**”) passed a shareholder’s resolutions for the increase of registered capital from RMB100,000 to RMB1 million contributed by Beijing Siweite.

Save as disclosed above, there has been no alteration in the share capital of any member of our Group within the two years immediately preceding the date of this prospectus.

#### **4. Resolutions of Our Shareholders**

Pursuant to a general meeting of our Shareholders held on December 1, 2022, the following resolutions, among others, conditional upon the conditions of the Global Offering (as set out in this prospectus) being fulfilled, were passed by our Shareholders:

- (a) our Company approved and adopted the Memorandum and Articles of Association with effect upon Listing;
- (b) the Global Offering, the Listing and the Over-allotment Option were approved and our Directors were authorized to effect the same and to allot and issue new Shares pursuant to the Global Offering; and
- (c) a general unconditional mandate was granted to our Directors to, inter alia, allot, issue and deal with Shares, securities convertible into Shares (the “**Convertible Securities**”) or options, warrants or similar rights to subscribe for any Shares or such convertible securities (the “**Options and Warrants**”) and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares or the underlying Shares relating to the Convertible Securities or the Options and Warrants so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders. Such mandate will remain in effect until:

- (i) the conclusion of our next annual general meeting;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or
  - (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,
- whichever is the earliest;
- (d) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will remain in effect until:

- (i) the conclusion of our next annual general meeting;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or
  - (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,
- whichever is the earliest; and
- (e) the general unconditional mandate as mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering).

## **5. Explanatory Statement on Repurchase of Our Own Securities**

The following summarizes restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.

### ***Shareholders' approval***

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

***Size of mandate***

The exercise in full of the Repurchase Mandate, on the basis of 763,025,314 Shares in issue immediately following completion of the Global Offering (assuming neither the Over-allotment Option nor any outstanding 2017 Plan Option is exercised), could accordingly result in up to approximately 76,302,531 Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares as of the date of the shareholder approval.

***Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

***Source of funds***

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable Laws of the Cayman Islands.

Our Company shall not purchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any purchases by our Company may be made out of profits or out of an issue of new shares made for the purpose of the purchase or, if authorized by its Memorandum and Articles and subject to the Companies Ordinance, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorized by its Memorandum and Articles and subject to the Companies Ordinance, out of capital.

***Suspension of repurchase***

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

***Trading restrictions***

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.



A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

***Status of repurchased shares***

The listing of all repurchased shares (whether through the Stock Exchange or otherwise) shall be automatically canceled and the relevant documents of title must be canceled and destroyed as soon as reasonably practicable.

***Close associates and core connected persons***

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

***Takeover implications***

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

***General***

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange to will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

**B. FURTHER INFORMATION ABOUT OUR BUSINESS****1. Summary of Material Contracts**

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this prospectus that are or may be material:

- (a) the exclusive business cooperation agreement dated May 10, 2021 entered into between the WFOE and Onshore Holdco, pursuant to which the Onshore Holdco has engaged WFOE as the exclusive provider to provide the Onshore Holdco with comprehensive services and the Onshore Holdco shall pay services fees to WFOE;
- (b) the exclusive purchase option agreement dated May 10, 2021 entered into among the WFOE, Onshore Holdco and the Registered Shareholders, pursuant to which Onshore Holdco and the Registered Shareholders have granted WFOE or its designee an irrevocable and exclusive right to purchase at any time and to the extent permitted by the then applicable PRC laws (i) from each of the Registered Shareholders all or any part of their equity interests in Onshore Holdco and/or (ii) from Onshore Holdco all or any of its assets or interests in any of its assets at the nominal value or the lowest price permitted under the PRC laws;
- (c) the equity pledge agreement dated May 10, 2021 entered into among the WFOE, Onshore Holdco and the Registered Shareholders, pursuant to which the Registered Shareholders has pledged all of their respective equity interests in Onshore Holdco to WFOE as the first priority security to guarantee performance of their contractual obligations under the Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the Contractual Arrangements;
- (d) the voting proxy agreement dated May 10, 2021 entered into among the WFOE, Onshore Holdco and the Registered Shareholders pursuant to which the Registered Shareholders have appointed WFOE and/or its designee as their exclusive agent and attorney to act on their behalf on all matters concerning Onshore Holdco and to exercise all of their rights as shareholders of Onshore Holdco;
- (e) the exclusive business cooperation agreement dated September 15, 2022 entered into between the WFOE and Beijing Sipai Brokerage, pursuant to which Beijing Sipai Brokerage has engaged WFOE as the exclusive provider to provide Beijing Sipai Brokerage with comprehensive services and Beijing Sipai Brokerage shall pay services fees to WFOE;
- (f) the exclusive purchase option agreement dated September 15, 2022 entered into among WFOE, Onshore Holdco and Beijing Sipai Brokerage, pursuant to which Beijing Sipai Brokerage and Onshore Holdco have granted WFOE or its designee an irrevocable and exclusive right to purchase at any time and to the extent permitted by the then applicable PRC laws (i) from Onshore Holdco all or any part of its equity interests in Beijing Sipai Brokerage and/or (ii) from Beijing Sipai Brokerage all or any of its assets or interests in any of its assets at the nominal value or the lowest price permitted under the PRC laws;
- (g) the equity pledge agreement dated September 15, 2022 among WFOE, Onshore Holdco and Beijing Sipai Brokerage, pursuant to which, the Onshore Holdco agrees to pledge all of its respective equity interests in Beijing Sipai Brokerage to WFOE as the first priority security to guarantee performance of its contractual obligations under the Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the Contractual Arrangements;
- (h) the voting proxy agreement dated September 15, 2022 among WFOE, Onshore Holdco and Beijing Sipai Brokerage, pursuant to which Onshore Holdco has appointed WFOE and/or its

designee as its exclusive agent and attorney to act on its behalf on all matters concerning Beijing Sipai Brokerage and to exercise all of its rights as the shareholder of Beijing Sipai Brokerage; and

- (i) the Hong Kong Underwriting Agreement.

## 2. Intellectual Property Rights

Save as disclosed below, as of the Latest Practicable Date, there were no other intellectual property rights which are or may be material in relation to our business.

### *Trademarks Registered in the PRC*

As of the Latest Practicable Date, we had registered the following trademarks in China which we consider to be or may be material to our business:

No.	Trademark	Registered owner	Class	Registration number	Expiry date
1.		Shanghai Bixun	42	30979700	March 13, 2029
2.		Shanghai Bixun	44	30982649	March 13, 2029
3.		Shanghai Bixun	42	30978352	March 13, 2029
4.		Shanghai Bixun	42	30979711	February 27, 2029
5.		Sipai Beijing Network	42	41403369	October 27, 2030
6.		Sipai Beijing Network	44	41391546	August 6, 2030
7.		Sipai Beijing Network	36	31071080	April 13, 2029
8.		Sipai Beijing Network	36	31085902	April 20, 2029
9.		Sipai Beijing Network	44	31089060	April 13, 2029
10.		Sipai Beijing Network	9, 16 35, 41, 42, 44	17044074	July 27, 2026
11.		Beijing Siweite	10	39711711	January 6, 2031
12.		Beijing Siweite	10	30151859	January 6, 2031
13.		Beijing Siweite	35	30142301	March 6, 2031
14.		Beijing Siweite	35	30309802	February 13, 2029
15.		Beijing Siweite	44	30309799	February 13, 2029

No.	Trademark	Registered owner	Class	Registration number	Expiry date
16.	<b>MEDOFFER<sub>®</sub></b>	Beijing Siweite	10	30301116	February 13, 2029
17.	<b>MEDOFFER<sub>®</sub></b>	Beijing Siweite	5	30297090	February 13, 2029

### *Trademarks Registered in Hong Kong*

As of the Latest Practicable Date, we had registered the following trademarks in Hong Kong which we consider to be or may be material to our business:

No.	Trademark	Registered owner	Class	Registration number	Expiry date
1.	<b>Medbanks</b>	Our Company	35, 36, 42, 44	305639040	May 26, 2031
2.	<b>MEDBANKS</b>	Our Company	35, 36, 42, 44	305639040	May 26, 2031
3.	<b>思派</b>	Our Company	35, 36, 42, 44	305639059	May 26, 2031

### *Software Copyrights*

As of the Latest Practicable Date, we had registered the following software copyrights which we consider to be or may be material to our business:

No.	Registration number	Software name	Owner	Date of initial publication	Date of registration
1.	2021SR0035565	Multi-Dimensional Simulation of Enterprise Side Health Insurance Premium Measurement System (多維模擬企業端健康保險保費測算系統)	Beijing Sipai Brokerage	October 13, 2020	January 7, 2021
2.	2020SR1692141	LBS-based Intelligent Oncology Drug Service System Software V1.4.1 (基於LBS 智能化腫瘤藥品服務系統軟件V1.4.1)	Beijing Sipai Brokerage	October 13, 2020	November 30, 2020
3.	2021SR0035706	Enterprise HR-oriented Intelligent Health Insurance Procurement Platform V1.4.1 (面向企業HR的智能化健康險採買平台V1.4.1)	Beijing Sipai Brokerage	October 13, 2020	January 7, 2021
4.	2020SR1692192	Physician-oriented Member Service Management System Software V1.4.1 (面向醫生端會員服務管理系統軟件V1.4.1)	Beijing Sipai Brokerage	October 13, 2020	November 30, 2020
5.	2020SR1666408	Physician-oriented Mobile Patient Consultation and Management System Software V1.4.1 (面向醫生移動端患者諮詢問診管理系統軟件V1.4.1)	Beijing Sipai Brokerage	October 13, 2020	November 27, 2020
6.	2020SR1692191	User Health Integrated Medical Management System Software V1.4.1 (用戶健康綜合醫療管理系統軟件V1.4.1)	Beijing Sipai Brokerage	October 13, 2020	November 30, 2020
7.	2021SR0029360	Intelligent Health Insurance Order Management Platform V1.4.1 (智能化健康險訂單管理平台V1.4.1)	Beijing Sipai Brokerage	October 13, 2020	January 7, 2021
8.	2021SR0041249	Intelligent Health Insurance Claims Service Platform V1.4.1 (智能化健康險理賠服務平台V1.4.1)	Beijing Sipai Brokerage	October 13, 2020	January 8, 2021
9.	2021SR0048563	Intelligent Health Insurance Commodity Management Platform Software V1.4.1 (智能化健康險商品管理平台軟件V1.4.1)	Beijing Sipai Brokerage	October 13, 2020	January 11, 2021

***Patents***

As of the Latest Practicable Date, our Directors confirm that none of our patents was considered to be or may be material to our business.

***Domain Names***

As of the Latest Practicable Date, we owned the following domain name which we consider to be or may be material to our business:

<u>No.</u>	<u>Domain name</u>	<u>Registered owner</u>	<u>Registration date</u>	<u>Expiry date</u>
1.	medbankshealthtech.com	Sipai Healthcare Guangzhou	July 22, 2021	July 22, 2031
2.	medbanks.cn	Sipai Beijing Network	January 13, 2015	January 13, 2023

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS****1. Particulars of Directors' Service Contracts and Appointment Letters**

Each of our executive Directors has entered into a service contract with our Company on December 1, 2022. Each service contract is for an initial term of three years commencing from the Listing Date. The service contracts may be renewed in accordance with our Articles and the applicable laws, rules and regulations.

Each of our non-executive Directors and our independent non-executive Directors has entered into a letter of appointment with our Company on December 1, 2022. Each letter of appointment is for an initial term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with our Memorandum and Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

**2. Remuneration of Directors**

For details of the remuneration of our Directors, see “Directors and Senior Management—Emolument of Directors and Senior Management” in this prospectus and Note 10 to Appendix I to this prospectus.

**3. Disclosure of Interests*****Interests and short positions of our Directors in the share capital of our Company or our associated corporations following completion of the Global Offering***

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the exercise of any outstanding 2017 Plan Options), the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the

SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules, to be notified to our Company and the Stock Exchange are set out below:

### Interest in our Company

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number of Shares held immediately following completion of the Global Offering</u>	<u>Approximate percentage of shareholding in total shares capital of our Company immediately following completion of the Global Offering</u>
Mr. Ma <sup>(1)(2)</sup>	Interest in controlled corporation; interest held jointly with another person	163,534,455	21.43%
Mr. Li <sup>(1)(2)</sup>	Interest in controlled corporation; interest held jointly with another person	163,534,455	21.43%

#### *Notes:*

- (1) On August 5, 2021, Mr. Ma, Mr. Li, Wise Approach, Creative Pioneer and Sail Far entered into a concert party agreement to confirm that they have acted in concert in the management, decision-making and all major decisions of our Group. As such, each of Mr. Ma, Mr. Li, Wise Approach, Creative Pioneer and Sail Far is deemed to be interested in the Shares each other is interested in.

Each of Wise Approach, Creative Pioneer and Sail Far was incorporated in the BVI as a limited company as an Employee Incentive Platform for our employees, and beneficially owns 40,410,926, 16,119,529 and 10,004,000 Ordinary Shares of our Company, respectively.

- (2) Lucky Seven beneficially owns 57,000,000 Shares of our Company and is a limited liability company incorporated in the BVI. As of the Latest Practicable Date, Lucky Seven was owned as to approximately 0.02% by Simul, a wholly-owned company incorporated in BVI of Mr. Ma, 21.93% by Salutem Holdings Limited and 78.05% by Hygeia, both of which are the holding companies pursuant to the family trust of Mr. Ma respectively. As such, under the SFO, each of Simul and Mr. Ma is deemed to be interested in the equity interest held by Lucky Seven.

Spire-succession beneficially owns 40,000,000 Shares of our Company and is a limited liability company incorporated in the BVI. As of the Latest Practicable Date, Spire-succession was owned as to approximately 0.0002% by Shining, a wholly-owned company incorporated in BVI of Mr. Li and 99.9998% by Sper-succession, a holding company pursuant to the family trust of Mr. Li, respectively. As such, under the SFO, each of Shining-succession and Mr. Li is deemed to be interested in the equity interest held by Spire-succession.

### ***Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO***

For information, so far as is known to our Directors or chief executive, of each person, other than our Director or chief executive, who immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes) will have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of our Company or any other member of our Group, see “Substantial shareholders”.

## **D. SHARE SCHEMES**

### **1. 2017 Plan**

We have adopted 2017 Plan. The 2017 Plan is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve any grant of options by our Company after the Listing.

*(a) Purpose*

The purpose of 2017 Plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, Directors, and consultants and to promote the success of our Company's business. The 2017 Plan permits the grant of options and share purchase rights as the Administrator may determine.

*(b) Administration*

Our chief executive officer shall be administering the 2017 Plan (the "**Administrator**").

Subject to the provisions of the 2017 Plan, the Administrator shall have the authority in its discretion:

- (i) to determine the value of the Shares (in the absence of an established market for the Shares);
- (ii) to select the 2017 Plan Participants (as defined below) to whom Awards (as defined below) may from time to time be granted hereunder;
- (iii) to determine the number of Shares to be covered by each Award granted hereunder;
- (iv) to approve the form(s) of agreement for use under the 2017 Plan;
- (v) to determine the terms and conditions of any Award granted hereunder including, but not limited to, the exercise price, the purchase price, the time or times when Options (as defined below) may be exercised (which may be based on performance criteria), the time or times when repurchase or redemption rights shall lapse, any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;
- (vi) to institute an exchange program (a program under which outstanding Awards are surrendered or canceled in exchange for Awards of the same type (which may have lower exercise prices or purchase prices and different terms), Awards of a different type, and/or cash, and/or the exercise price or purchase price of an outstanding Award is reduced. The terms and conditions of any exchange program will be determined by the Administrator in its sole discretion.);
- (vii) to prescribe, amend, and rescind rules and regulations relating to the 2017 Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable laws of jurisdictions other than the United States;
- (viii) to modify or amend each Award, including, without limitation, the discretionary authority to extend the post-termination exercisability of an Option longer than is otherwise provided for in an Award agreement or accelerate the vesting or exercisability of an Option or lapsing of a repurchase or redemption right or forfeiture provision to which Shares acquired pursuant to a Share Purchase Right or Shares subject to a Company repurchase or redemption right or forfeiture provision that are issued pursuant to an Option (the "**Restricted Shares**") may be subject;
- (ix) to construe and interpret the terms of the 2017 Plan and Awards granted pursuant to the 2017 Plan; and
- (x) to make any other determination and take any other action that the Administrator deems necessary or desirable for the administration of the 2017 Plan.

*(c) Participants*

The participants of 2017 Plan include employees, directors or consultants of our Group (the “**Service Providers**”). The Administrator may, from time to time, select from among all eligible individuals (the “**2017 Plan Participants**”) to whom awards in the form of options (“**Options**”), share purchase rights (“**Share Purchase Rights**”) (collectively “**Awards**”), will be granted and will determine the nature and amount of each option.

*(d) Maximum number of Ordinary Shares*

The maximum aggregate number of Shares that may be issued under the 2017 Plan shall be determined by meetings of Shareholders of the Company from time to time. The Shares may be authorized but unissued or reacquired Shares. The number of Shares that are subject to Awards outstanding under the Plan at any time shall not exceed the aggregate number of Shares that then remain available for issuance under the 2017 Plan. The Company, during the term of the 2017 Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of outstanding Awards granted under the 2017 Plan.

*(e) Grant of Awards*

The Administrator is authorized to grant Awards to the 2017 Plan Participants in accordance with the terms of the 2017 Plan. Awards granted will be evidenced by an award agreement in the form approved by the Administrator (the “**Award Agreement**”). The Award Agreement contains the terms established by the Administrator for that Award, as well as any other additional terms, provisions, or restrictions that the Administrator may impose on the Award.

*(f) Term of the 2017 Plan*

The 2017 Plan commenced on January 5, 2018 and shall continue in effect for a term of ten years. Termination of the 2017 Plan shall not affect the Administrator’s ability to exercise the powers granted to it hereunder with respect to Awards granted under the 2017 Plan prior to the date of such termination. No Shares shall be issued or sold under the 2017 Plan after the termination thereof, except upon exercise of an Award granted prior to the termination of the 2017 Plan.

*(g) Terms and Conditions*

Each grant of an Award under the 2017 Plan shall be evidenced by an Award Agreement between the Participant and our Company. Each Award shall be subject to all applicable terms and conditions of the 2017 Plan and may be subject to any other terms and conditions that are not inconsistent with the 2017 Plan and that the Administrator deems appropriate for inclusion in an Award Agreement. The provisions of the various Award Agreements entered into under the 2017 Plan need not be identical.

*(h) Options**(i) Exercise of Option*

Any Option granted under the 2017 Plan shall be exercisable according to the terms at such times and under such conditions as may be determined by the Administrator and as set forth in the Option Award Agreement; provided, however, that an Option shall not be exercised for a fraction of a Share.



An Option shall be deemed exercised when our Company receives (A) written or electronic notice of exercise (in accordance with the Award Agreement) from the person entitled to exercise the Option, (B) full payment for the Shares with respect to which the Option is exercised, together with any applicable tax withholding, and (C) all representations, indemnifications, and documents requested by the Administrator, including, without limitation, any Shareholders Agreement. Full payment may consist of any consideration and method of payment authorized by the Administrator in accordance with and permitted by the Award Agreement.

Shares issued upon exercise of an Option shall be issued in the name of the 2017 Plan Participant or, if requested by the 2017 Plan Participant, in the name of the 2017 Plan Participant and his or her spouse. Our Company shall issue (or cause to be issued) certificates evidencing the issued Shares promptly after the Option is exercised. Notwithstanding the foregoing, the Administrator in its discretion may require our Company to retain possession of any certificate evidencing Shares acquired upon the exercise of an Option if those Shares remain subject to forfeiture, repurchase or redemption under the provisions of the Award Agreement, any Shareholders Agreement, or any other agreement between our Company and the 2017 Plan Participant, or if those Shares are collateral for a loan or obligation due to our Company.

Exercise of an Option in any manner shall result in a decrease in the number of Shares thereafter available, both for purposes of the 2017 Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

*(ii) Exercise Price*

Each Award Agreement shall specify the Exercise Price. The Exercise Price of any Option shall be determined by the Administrator in its sole discretion.

*(iii) Termination of Service (Other than by Death or Cause)*

If a 2017 Plan Participant ceases to be a Service Provider for any reason other than because of death or Cause, following the termination of the 2017 Plan Participant's relationship as a Service Provider, the 2017 Plan Participant may exercise all or part of the 2017 Plan Participant's Option at any time before the expiration of the Option, but only to the extent that the Option was vested and exercisable as of the date of termination of the 2017 Plan Participant's relationship as a Service Provider (or became vested and exercisable as a result of the termination). Unless the Administrator provides otherwise in an Award Agreement, the balance of the Shares subject to the Option shall be forfeited on the date of termination of the 2017 Plan Participant's relationship as a Service Provider. In the event that the 2017 Plan Participant dies after the termination of the 2017 Plan Participant's relationship as a Service Provider but before the expiration of the 2017 Plan Participant's Option, all or part of the Option may be exercised (prior to expiration) by the executors or administrators of the 2017 Plan Participant's estate or by any person who has acquired the Option directly from the 2017 Plan Participant by beneficiary designation, bequest, or inheritance, but only to the extent that the Option was vested and exercisable as of the termination date of the 2017 Plan Participant's relationship as a Service Provider (or became vested and exercisable as a result of the termination). Any Shares subject to the portion of the Option that are vested as of the termination date of the 2017 Plan Participant's relationship as a Service Provider but that are not purchased prior to the expiration of the Option shall be forfeited immediately following the Option's expiration.

*(iv) Death of the 2017 Plan Participants*

If a 2017 Plan Participant dies while a Service Provider, all or part of the 2017 Plan Participant's Option may be exercised at any time before the expiration of the Option by the executors or administrators of the 2017 Plan Participant's estate or by any person who has acquired the Option directly from the 2017 Plan Participant by beneficiary designation, bequest, or inheritance, but only to the extent that the Option was vested and exercisable as of the date of the 2017 Plan Participant's death or had become vested and exercisable as a result of the death. The balance of the Shares subject to the Option shall be forfeited upon the 2017 Plan Participant's death. Any Shares subject to the portion of the Option that are vested as of the Participant's death but that are not purchased prior to the expiration of the Option shall be forfeited immediately following the Option's expiration.

*(v) For Cause*

In the event the 2017 Plan Participant ceases to be a Service Provider for Cause, any outstanding Option (including any vested portion thereof) held by the 2017 Plan Participant shall immediately terminate in its entirety upon the occurrence of any Cause and all of the Shares subject to the Option shall be forfeited immediately on such date of notification. If the 2017 Plan Participant's service is suspended pending an investigation of whether the 2017 Plan Participant will cease to be a Service Provider for Cause, all the 2017 Plan Participant's rights under any Option, including the right to exercise the Option, shall be suspended during the investigation period.

***(i) Share Purchase Rights****(i) Type of Share Purchase Right*

Each Share Purchase Right may be designated as a Reg S Share Purchase Right or as a Share Purchase Right other than a Reg S Share Purchase Right. If the Award Agreement does not specify the type of Share Purchase Right, the Share Purchase Right will not be treated as a Reg S Share Purchase Right.

*(ii) Duration of Offers and Non-transferability of Share Purchase Rights*

Any Share Purchase Rights granted under the Plan shall automatically expire if not exercised by the Participant within 30 days (or such longer time as is specified in the Award Agreement) after the date of grant. Share Purchase Rights shall not be transferable and shall be exercisable only by the 2017 Plan Participant to whom the Share Purchase Right was granted.

*(iii) Purchase Price*

The Purchase Price shall be determined by the Administrator in its sole discretion.

***(j) Restrictions on Transfer of Shares***

Any Shares issued upon exercise of an Option or awarded or sold pursuant to Share Purchase Rights shall be subject to such forfeiture conditions, rights of repurchase or redemption, rights of first refusal, and other transfer restrictions as the Administrator may determine. The restrictions described in the preceding sentence shall be set forth in the applicable Award Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally.

***(k) Non-transferability of Awards***

Unless otherwise determined by the Administrator and so provided in the applicable Award Agreement (or be amended to provide), no Award shall be sold, pledged, assigned, hypothecated, transferred, or

disposed of in any manner (whether by operation of law or otherwise) other than by will or applicable laws of descent and distribution or (except in the case of an Incentive Stock Option) pursuant to a domestic relations order, and shall not be subject to execution, attachment, or similar process, and each Award may be exercised, during the lifetime of the 2017 Plan Participant only by the Participant. In the event the Administrator in its sole discretion makes a Non-statutory Stock Option or Share Purchase Right transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate. Upon any attempt to pledge, assign, hypothecate, transfer, or otherwise dispose of any Award or of any right or privilege conferred by the 2017 Plan contrary to the provisions thereof, or upon the sale, levy or attachment or similar process upon the rights and privileges conferred by the 2017 Plan, such Award shall thereupon terminate and become null and void.

***(l) Adjustment of Shares***

In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, share split, reverse share split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of our Company, or other change in the corporate structure of our Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the 2017 Plan, may (in its sole discretion) adjust the number and class of Shares that may be delivered under the 2017 Plan and/or the number, class, and price of Shares covered by each outstanding Award.

***(m) Amendment***

The Administrator may at any time initiate the amend, alter, suspend, or terminate the 2017 Plan and such amend, alter, suspend, or terminate shall be subject to the Board's approval. The Administrator shall obtain approval of the Shareholders of any 2017 Plan amendment to the extent necessary or desirable to comply with applicable law. No amendment, alteration, suspension, or termination of the 2017 Plan shall materially and adversely impair the rights of any 2017 Plan Participant with respect to an outstanding Award, unless mutually agreed otherwise between the 2017 Plan Participant and the Administrator, which agreement must be in writing and signed by the 2017 Plan Participant and our Company.

**(n) Outstanding Options Granted**

As of the Latest Practicable Date, our Company had (i) issued most of the underlying Shares of the 2017 Plan Options to Creative Pioneer and Wise Approach, respectively, details of which are set out in “History, Reorganization and Corporate Structure—Reorganization—Offshore Reorganization—Issuance of Employee Incentive Shares” and (ii) granted outstanding 2017 Plan Options to 202 grantees to subscribe for an aggregate of 10,898,405 Shares, representing approximately 1.43% of the total number of Shares in issue immediately after completion of the Global Offering (assuming neither the Over-allotment Option nor any outstanding 2017 Plan Options are exercised). All the outstanding 2017 Plan Options were granted between January 31, 2018 and October 18, 2022 (both days inclusive) and the Company will not grant further 2017 Plan Options after the Listing. The exercise price of the outstanding 2017 Plan Options is between US\$0.018 and US\$0.330. The grantees were not required to pay any consideration for the grant of the outstanding 2017 Plan Options. The table below sets out the details of the outstanding 2017 Plan Options as of the Latest Practicable Date.

No.	Range of number of Shares underlying outstanding 2017 Plan Options	Total number of grantees	Total number of Shares underlying outstanding 2017 Plan Options	Exercise price (US\$)	Date of grant	Validity period	Approximate percentage of the total number of Shares in issue immediately after completion of the Global Offering <sup>(1)</sup>
1	1 – 29,999	87	1,539,228	0.018 – 0.33	May 15, 2018 – October 18, 2022	10 years	0.20%
2	30,000 – 59,999	76	4,125,483	0.018 – 0.33	January 31, 2018 – October 18, 2022	10 years	0.54%
3	60,000 – 89,999	15	1,177,906	0.018 – 0.09	May 15, 2018 – May 16, 2021	10 years	0.15%
4	90,000 – 119,999	12	1,369,459	0.018 – 0.22	January 31, 2018 – July 1, 2022	10 years	0.18%
5	120,000 or more	12	2,686,329	0.018 – 0.22	January 31, 2018 – July 1, 2022	10 years	0.35%
	<b>Total</b>	<b>202</b>	<b>10,898,405</b>				<b>1.43%</b>

Note:

(1) Assuming neither the Over-allotment Option nor any outstanding 2017 Plan Options are exercised.

The grantees of the outstanding 2017 Plan Options include current employees, former employees and external consultants of our Group. None of the grantees of the outstanding 2017 Plan Options are Directors, senior management or connected persons of our Company.

**(o) Potential Dilution Effect**

If all the outstanding 2017 Plan Options were exercised, there would be a dilution effect of approximately 1.41% on the earnings per Share and the shareholdings of our Shareholders immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

**2. RSU Scheme****(a) Purpose and Principal Terms**

The purpose of the RSU Scheme is to recognize and motivate the contributions the grantees under the RSU Scheme (the “**Grantee(s)**”), provide incentives for them to remain with our Company, and attract

suitable personnel for our further development. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by our Company to subscribe for new shares. The principal terms of the RSU Scheme are as follows:

- (i) **Administration:** The RSU Scheme shall be subject to the administration of a duly authorized administrator or such other committee or sub-committee as authorized by the Board (the “**Committee**”), unless the Board determines otherwise, the Committee refers to the chief executive officer of the Company. The Committee has the right to (i) interpret and construe the provisions of the RSU Scheme, (ii) determine the persons who will be granted Awards, the terms on which Awards are granted and the time when the RSU(s) so awarded may vest, (iii) make such appropriate and equitable adjustments to the terms of the Awards granted as it deems necessary, and (iv) appoint independent third party professionals and contractors to assist in the administration of the RSU Scheme, delegate such powers and/or functions, and make any other decisions or determination relating to the administration of the RSU Scheme as the Committee deems appropriate. All decisions made by the Committee is final and binding on all parties.
- (ii) **Award:** An award of Restricted Share Units (the “**RSU(s)**”) under the RSU Scheme (“**Award(s)**”) gives a Participant a conditional right upon the vesting of the Award to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the Committee in its absolute discretion, less any tax, fees, levies, stamp duty and other applicable charges. An award may include, if so specified by the Committee in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.
- (iii) **Award Agreement:** Each Participant shall enter into an award agreement with the Company, evidencing the terms and conditions of an individual Award granted under the Scheme, and includes any documents attached to or incorporated into (the “**Award Agreement**”), pursuant to which the Participant shall pay the exercise price (if any) in connection with an Award granted to him/her in the manner as set out therein. The form(s) of the Award Agreement shall be approved from time to time by the Committee.
- (iv) **Scheme Limit:** Number of Shares that may be delivered under the RSU Scheme are 10,004,000 Shares, all of which have been issued to Sail Far, details of which are set out in “History, Reorganization and Corporate Structure—Reorganization—Offshore Reorganization - Issuance of Employee Incentive Shares”.
- (v) **Participants:** Participants of the RSU Scheme (the “**Participants**”) include the following:
  - the Employees or officers (including executive, non-executive and independent non-executive directors of the Group);
  - any person or entity (including but not limited to consultants engaged by the company services to the Group) that provides research, development, consultancy and other technical or operational or administrative support to the Group; and
  - any other persons including former employees who, in the sole opinion of the Remuneration Committee, have contributed or will contribute to the Company or any of its Subsidiaries.
- (vi) **Term:** The RSU Scheme shall be valid and effective for the period of ten years commencing on the adoption date of the RSU Scheme, after which period no further

Awards will be granted. In spite of this, the RSU Scheme in all other respects remain in full force and effect and Awards that are granted during the Term may continue to be exercisable in accordance with their terms of issue.

- (vii) **Trustee:** the Committee may appoint independent trustee to assist in the administration and vesting of the Awards and has appointed Lightstone Trust (Hong Kong) Limited, trustee service provider and an Independent Third Party, to administer the granting and vesting of the RSU(s).

**(b) Restrictions on Grant**

No Grant shall be made to, nor shall any Grant be capable of acceptance by, any Participant at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules (where applicable) or by any other applicable rules, regulations or law.

A Grant must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (i) the date of the meeting of the Board of the Company (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Award may be granted. Such period will cover any period of delay in the publication of a results announcement.

The Committee may not grant any Awards to any Participants in any of the following circumstances:

- (i) the requisite approvals for that Grant from any applicable regulatory authorities have not been obtained;
- (ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the Awards or in respect the RSU Scheme, unless the Committee determines otherwise;
- (iii) the Grant would result in a breach by the Company, the Subsidiaries or any of the directors of any applicable securities laws, rules or regulations; or
- (iv) where such Grant would result in a breach of the limits of the RSU Scheme.

**(c) Grant to Directors**

Where any Award is proposed to be granted to a director of any members of the Group, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

- (i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

***(d) Grant to Connected Persons***

Any grant to any director, chief executive officer or substantial shareholder of any member of the Group, or any of their respective associates (as defined in the Listing Rules), shall be subject to the prior approval of the independent non-executive directors (excluding the independent non-executive director who is the proposed grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of an Award to a director pursuant to Rule 14A.73(6) of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant director's remuneration under his/her service contract.

***(e) Grant to PRC resident***

If the Grantee is a PRC resident, he or she shall not be entitled to exercise any Award until:

- (i) to the extent applicable, any restriction or condition imposed by the relevant PRC laws, regulations and notices in relation to the subscription of or dealing in shares of overseas listed companies by PRC residents or any law, regulation or notice with similar effects have been abolished or removed or ceased to be applicable to the Participant or the Participant has obtained approval, exemption or waiver from the relevant PRC regulatory authorities for the subscription of and dealing in the Shares; and
- (ii) he or she has given a representation to the Company to the effect that he or she has satisfied all the relevant laws, regulations and notices in exercising the Award.

***(f) Rights Attached to Awards***

The RSU(s) do not carry any right of a Shareholder. No Participant shall enjoy any of the rights of a Shareholder unless and until such Shares underlying the Award are actually transferred to the Grantee upon the vesting of the RSU(s). Unless otherwise specified by the Committee in its entire discretion in the Award Agreement, Grantees do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an Award.

***(g) Awards to be Personal to the Grantee***

Unless otherwise approved by the Company in writing (to the extent permitted by law), an unvested RSU shall be personal to the Grantee and shall not be assignable or transferable by the Grantee provided that following the Grantee's death, unvested RSU(s) may be transferred by will or by the laws of testacy and distribution. The terms of the Scheme and the Award Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Grantee.

***(h) Vesting***

Subject to the terms of the RSU Scheme and the specific terms and conditions applicable to each Award, the RSU(s) granted in an Award shall be subject to a vesting period (if any) and/or the satisfaction of performance and/or other conditions (if any) to be determined by the Committee in its

absolute discretion. If such conditions are not satisfied, the vesting date of the RSU(s) shall be postponed for one year. If the vesting terms and conditions of the postponed RSU(s) are not satisfied at the postponed vesting date, the RSU(s) shall automatically lapse.

The Award Agreement addresses (a) the extent to which the vesting period and conditions have been fulfilled or waived, and (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) or the amount of cash the Grantee will receive.

For the purposes of vesting of the RSU(s), the Committee may release the RSU(s) to the selected Participants by transferring the number of underlying Shares in respect of the RSU(s) to the selected Participants in such manner as determined by it from time to time. The Committee shall inform the Trustee the number of underlying Shares in respect of the RSU(s) being transferred and released to the selected Participant in the manner as determined by the Committee.

If the vesting conditions are not satisfied and no waiver of such condition is granted, the RSU(s) shall be canceled according to conditions as determined by the Committee in its absolute discretion.

In the event that the Grantee fails to execute/ deliver the required documents in accordance with the terms of the RSU Scheme, the vested RSU(s) will lapse.

Notwithstanding the foregoing, if any relevant parties of the RSU Scheme would or might be prohibited from dealing in the Shares by the Listing Rules or by any other applicable laws, regulations or rules within the period specified above, the date on which the relevant Shares shall be transferred (as the case may be) to the Grantee shall occur as soon as possible after the date when such dealing is permitted by the Listing Rules or by any other applicable laws, regulations or rules.

***(i) Rights on a Takeover***

In the event a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the vesting date of any RSU(s), the Committee shall, prior to the offer becoming or being declared unconditional, determine at its absolute discretion whether such RSU shall vest and the period within which such RSU shall vest. If the Committee determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

***(j) Rights on a Scheme of Arrangement***

In the event a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of shareholders at the requisite meetings prior to the vesting of any RSU(s), the Committee shall, prior to such meetings, determine at its absolute discretion whether such RSU(s) shall vest and the period within such RSU(s) shall vest. If the Committee determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

***(k) Rights on a Voluntary Winding-up***

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the



Company prior to the vesting date of any RSU(s), the Committee shall determine at its discretion whether such RSU(s) shall vest, and the period when such RSU(s) shall vest and in the latter case, the unvested RSU(s) must be vested and effected by no later than two Business Days before the day of the proposed shareholders' meeting. If the Committee determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

***(l) Rights on a Compromise or Arrangement***

In the event of a compromise or arrangement, other than a scheme of arrangement contemplated above, between the Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Committee shall determine at its discretion whether such RSU(s) shall vest, and the period when such RSU(s) shall vest. If the Committee determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

***(m) Lapse and Cancellation of RSU***

Unless the Committee determines otherwise in its absolute discretion, an unvested RSU shall be lapsed and canceled automatically upon the earliest of:

- (i) the date of the termination of Grantee's employment or service by the Company or any of its Subsidiaries for cause;
- (ii) the date of the termination of Grantee's employment or service with the Company or the Subsidiaries is terminated for any reason other than for cause (including by reason of resignation, retirement, death, disability or nonrenewal of the employment or service agreement upon its expiration for any reason other than for cause);
- (iii) the date on which the offer (or, as the case may be, revised offer) made in connection with a general or voluntary offer closes;
- (iv) the record date for determining entitlements under the scheme of arrangement referred above closes;
- (v) the date of the commencement of the winding-up of the Company;
- (vi) the date on which the Grantee commits a breach of paragraph (g) above; or
- (vii) the date on which it is no longer possible to satisfy any outstanding conditions to vesting.

The Committee shall have the right to determine what constitutes cause, whether the Grantee's employment has been terminated for cause, the effective date of such termination and whether someone is a Competitor, and such determination by the Committee shall be final and conclusive.

Unless the Committee determines otherwise in its absolute discretion, the Grantee or his/her legal personal representative is entitled to exercise vested RSU(s) by serving the application for exercising unvested RSU(s) within one month following the occurrence of the termination of Grantee's employment or service with the Company or the Subsidiaries which is terminated for any reason other than for cause (including by reason of resignation, retirement, death, Disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for cause).

Unless the Committee determines otherwise in its absolute discretion and subject to the applicable laws, the vested RSU(s) prior to being exercised and the underlying shares or proceeds obtained by the Grantee from exercising the vested RSU(s) less the exercise price (if any) of the Grantee's RSU(s)

shall be returned by the Grantee to the Company per the Committee's request following the occurrence of one of more of the following events:

- (i) the Grantee's employment is terminated by the Company or any of its Subsidiaries for cause;
- (ii) or the Grantee either: (a) becomes an officer, director, employee, consultant, adviser, partner of or stockholder or other proprietor owning more than 5% interest in any Competitor; or (b) knowingly performs any act that may confer a competitive benefit or advantage upon any Competitor,

at any time before or within 12 months after the Grantee's employment is terminated by the Company or any of its Subsidiaries for any reason.

***(n) Further Restrictions on RSU***

The Grantee shall not be entitled to sell, transfer or deal with the Shares underlying the RSU(s) granted pursuant to the RSU Scheme upon the occurrence of one or more of the following events:

- (i) the Grantee's employment is terminated by the Company or any of its Subsidiaries for cause; or
- (ii) the Grantee either: (a) becomes an officer, director, employee, consultant, adviser, partner of or stockholder or other proprietor owning more than 5% interest in any Competitor; or (b) knowingly performs any act that may confer a competitive benefit or advantage upon any Competitor,

at any time before or within 12 months after the Grantee's employment is terminated by the Company or any of its Subsidiaries for any reason.

If the Grantee sells, transfers or deals with the Shares in breach of the above, the Grantee shall pay the Company the proceeds or consideration obtained (less the exercise price (if any) of the Grantee RSU(s)) as a result of such breach upon demand by the Company.

The Committee may at any time cancel any unvested RSU granted to a Grantee subject to consent by the Grantee. Where the Company cancels unvested RSU(s) and makes a grant of new RSU(s) to the same Grantee, such Grant may only be made with available RSU(s) to the extent not yet granted (excluding the canceled RSU(s)).

Notwithstanding the aforesaid in this paragraph, in each case, the Committee may in its absolute discretion decide that any RSU(s) shall not be canceled or determine subject to such conditions or limitations as the Committee may decide.

***(o) Reorganization of Capital Structure***

In the event of an alteration in the capital structure of the Company, by way of capitalization of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, reduction of the share capital, amongst others, of the Company, whilst any RSU(s) has not vested, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the RSU(s) so far as unvested as the Auditors or an approved independent financial adviser shall certify in writing, either generally or as regard any particular Grantee, to have in their opinion, fairly and reasonably satisfied the requirement that such adjustments give a Participant the same proportion

(or rights in respect of the same proportion) of the share capital of the Company as that to which that Grantee was previously entitled, but that no such adjustments be made to the extent that a Share would be issued at less than its nominal value.

However, in the case of any capitalization issue or share sub-division to be implemented by the Company as required for the purpose of the Global Offering, no such certification by the Auditors or a financial advisor shall be required.

***(p) Amendment of the RSU Scheme***

Save for any material amendments to the RSU Scheme, the Scheme may be altered in any respect by a resolution of the Committee. The Committee's determination as to whether any proposed alteration to the terms and conditions of the RSU Scheme is material shall be conclusive, provided in each case that such decision is made in accordance with the Articles of the Company and any applicable laws.

***(q) Termination of the RSU Scheme***

The Board of the Company or the Committee may at any time terminate the operation of the RSU Scheme and in such event no further RSU(s) will be offered but in all other respects the provisions of this Scheme shall remain in full force and effect in respect of RSU(s) which are granted during the life of this Scheme and which remain unvested immediately prior to the termination of the operation of the RSU Scheme.

***(r) General***

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares underlying any Awards which may be granted pursuant to the RSU Scheme. As of the Latest Practicable Date, all of the RSU under the RSU Scheme, representing a total of 10,004,000 underlying Shares, had been granted but not vested to Mr. ZHOU Teng to reward his significant contribution, as the chief strategy officer of our Group, to the business development and equity financing of our Company in the past few years.

**F. OTHER INFORMATION**

**1. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

**2. Litigation**

Save as disclosed in this prospectus, no litigation, arbitration or claim is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

**3. Joint Sponsors**

Each of Morgan Stanley Asia Limited and Haitong International Capital Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate of US\$1 million for acting as the sponsors for the Listing.

#### 4. Consent of Experts

This prospectus contains statements made by the following experts:

<u>Name</u>	<u>Qualification</u>
Morgan Stanley Asia Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO
Haitong International Capital Limited	Licensed corporation to conduct Type 6 (advising on corporate finance) regulated activities under the SFO
Jingtian & Gongcheng	PRC Legal Adviser
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Campbells	Cayman Islands legal advisors
China Insights Consultancy Limited	Industry consultant

Save as disclosed in “Underwriting—Hong Kong Underwriters’ interests in our Company” in this prospectus, as of the Latest Practicable Date, none of the experts named above had any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Each of the experts named above has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, letters, opinions or summaries of opinions (as the case may be) and the references to its name included herein in the form and context in which they are respectively included.

#### 5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

#### 6. Bilingual Document

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

#### 7. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

#### 8. Disclaimers

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) there are no commissions for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and

- (ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in “—F. Other information—4. Consent of Experts” in this section received any such payment or benefit.
- (b) Save as disclosed in this prospectus:
- (i) there are no founder, management or deferred shares in our Company or any member of our Group;
  - (ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this prospectus, or are proposed to be paid, allotted or given to any promoters;
  - (iii) none of the Directors or the experts named in “—F. Other information—4. Consent of Experts” in this section above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
  - (iv) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;
  - (v) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;
  - (vi) there are no outstanding convertible debt securities or debentures of our Company or any member of our Group;
  - (vii) there are no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;
  - (viii) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option;
  - (ix) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus; and
  - (x) there are no contracts or arrangements subsisting at the date of this prospectus in which a Director is materially interested or which is significant in relation to the business of our Group.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of the GREEN Application Form;
- (b) the written consents referred to in “Statutory and General Information—F. Other Information—4. Consent of Experts” in Appendix IV; and
- (c) copies of the material contracts referred to in “Statutory and General Information—B. Further Information about our Business—1. Summary of Material Contracts” in Appendix IV.

**DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.medbankshealthtech.com](http://www.medbankshealthtech.com) for 14 days from the date of this prospectus (both dates inclusive):

- (a) the Memorandum of Association and the Articles of Association;
- (b) the material contracts referred to in “Statutory and General Information—B. Further information about our Business—1. Summary of Material Contracts” in Appendix IV;
- (c) the service contracts and the letters of appointment with our Directors referred to in “Statutory and General Information—C. Further Information about our Directors—1. Particulars of Directors’ Service Contracts and Appointment Letters” in Appendix IV;
- (d) the Accountants’ Report and the report on the unaudited pro forma financial information of our Group prepared by Ernst & Young, the texts of which are set out in Appendix I and Appendix II, respectively;
- (e) the audited consolidated financial statements of our Company for the three financial years ended December 31, 2019 and 2020 and 2021 and six months ended June 30, 2022;
- (f) the industry report issued by China Insights Consultancy Limited, a summary of which is set forth in “Industry Overview” in this prospectus;
- (g) the PRC legal opinions issued by Jingtian & Gongcheng, in respect of certain general corporate matters and property interests in the PRC of our Group;
- (h) the letter of advice prepared by Campbells, our legal advisor on Cayman Islands law, summarizing certain aspects of Cayman Companies Act referred to in Appendix III;
- (i) the Cayman Companies Act;
- (j) the written consents referred to in “Statutory and General Information—F. Other Information—4. Consent of Experts” in Appendix IV;
- (k) the rules of the 2017 Plan; and
- (l) the rules of the RSU Scheme.

**DOCUMENTS AVAILABLE FOR INSPECTION**

A list of grantees under the 2017 Plan Options will be available for inspection at the office of O’Melveny & Myers, 31/F, AIA Central, 1 Connaught Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., up to and including the date which is 14 days from the date of this prospectus.

**Medbanks**

思 派 健 康 科 技