The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in the Accountants' Report in Appendix I, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

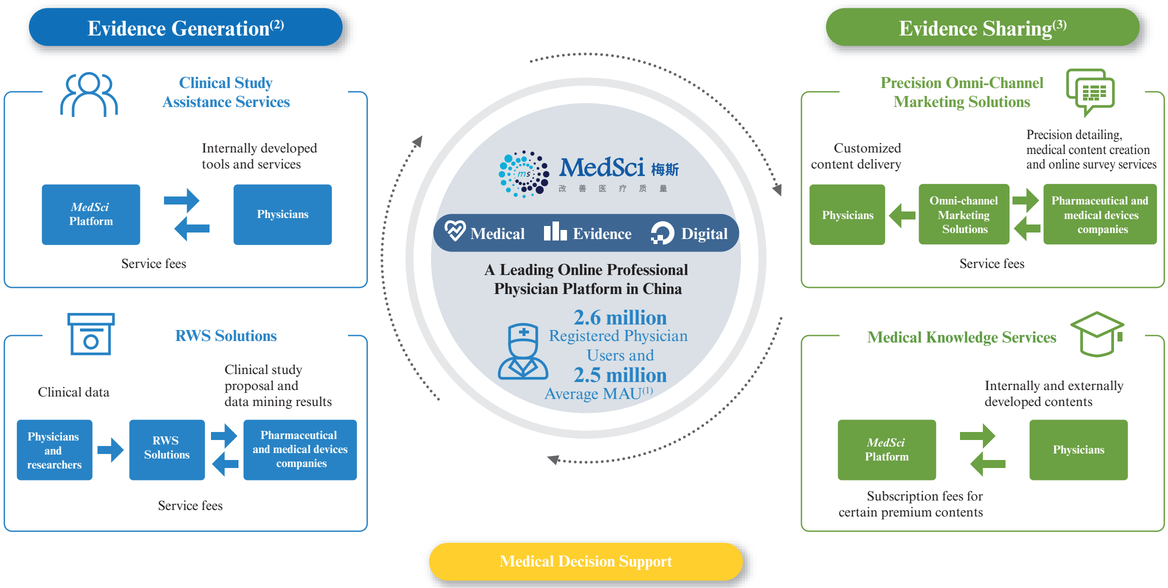
The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions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

OVERVIEW

We operate one of the largest online professional physician platforms in China in terms of registered physician users and average MAU in 2021, according to Frost & Sullivan. As of December 31, 2021, our platform had approximately 2.6 million registered physician users and our average MAU reached approximately 2.5 million in 2021. Both the number of registered physician users and the average MAU of our platform are at the leading positions among online physician platforms in China, according to Frost & Sullivan. Our *MedSci* platform also features a high percentage of experienced physician users with the title of associate-chief physician (副主任醫師) and above. As of December 31, 2020, the total number of registered physician users on our *MedSci* platform who had the title of associate-chief physician and above represented 68.8% of the total number of physicians in China who had obtained the title of associate-chief physician and above, based on the data from the NHC. Our *MedSci* platform is accessible through multiple channels such as website, mobile application, WeChat mini-program and WeChat public account. Key functions of the *MedSci* platform are self-developed by us with certain ancillary modules, such as Yi Xun Da, a digital tool utilized in our precision omni-channel marketing solutions, supported by third parties.

Aspiring to cover the full life cycle of value-based medicine ("**VBM**"), our service offerings empower evidence generation, evidence sharing and medical decision support. For instance, we support physicians and pharmaceutical and medical device companies in conducting clinical and real-world studies ("**RWS**"), respectively, to generate medical evidence. We have shared evidence by offering a comprehensive medical knowledge database to physician users on our *Medsci* platform and connecting such physician users with academic medical contents we created or created in collaboration with KOLs or pharmaceutical and medical device companies. We believe our service offerings help guide prescription decisions of physicians in order to promote the rational use of medical products and deliver better value and care to patients. We are committed to solidifying our position as a platform-based, professional-knowledge-oriented and digitalized med-tech company and aspire to enhance the overall quality of patients' healthcare through the evidence and value offered by VBM. The diagram below provides an overview of our service offerings alongside the life cycle of VBM:

Enhance the Healthcare Quality with Value-Based Medicine



Note:

(1) For the year ended/as of December 31, 2021

(2) Our clinical study assistance services and RWS solutions can support the generation of medical evidence that are meaningful for physicians, pharmaceutical and medical device companies and other industry stakeholders.

(3) Our precision omni-channel marketing solutions and medical knowledge services can spread medical evidence to a wide group of physicians, pharmaceutical and medical device companies and other stakeholders.

We delivered strong financial performance during the Track Record Period. Our total revenue increased by 30.5% from RMB165.4 million in 2019 to RMB215.9 million in 2020 and increased by 37.9% from RMB215.9 million in 2020 to RMB297.7 million in 2021, and further increased by 33.4% from RMB90.3 million for the five months ended May 31, 2021 to RMB120.4 million for the five months ended May 31, 2022. Such strong financial performance is primarily driven by (i) our evolving professional service capabilities; (ii) our ability to retain existing customers and expand our customer base to capture new customers; and (iii) the standardization of our service portfolio on our *MedSci* platform.

BASIS OF PRESENTATION

The historical financial information of our Group has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board. The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions in the process of applying our Group's accounting policies. Judgements made by management in the application of IFRS that have a significant effect on the historical financial information and major sources of estimation uncertainty are discussed in Note 3 to the Accountants' Report included in Appendix I to this Document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of our control. These factors include but are not limited to the following:

Economic and Industry Trends in China

Our business and results of operations are affected by general factors affecting China's healthcare industry, particularly the pharmaceutical and medical device industries. Such general factors include China's overall economic growth, aging population, increasing disposable income, rising prevalence of chronic diseases and growing health awareness. China's healthcare expenditure is expected to continue to grow and will result in a continued increase in spending on digital healthcare marketing by pharmaceutical and medical device companies.

In addition, our business and results of operations are also affected by government policies and regulations applicable to the healthcare industry. We have benefited from certain recent favorable regulatory and policy changes in China. The impact of centralized procurement on pharmaceutical and medical device companies, the spurt of innovative drugs and medical devices coming to market as a result of China's healthcare reforms, and the restrictions on traditional in-person detailing through medical representatives due to the COVID-19 pandemic have provided a favorable market environment for digital healthcare marketing in recent years.

We believe we are well-positioned to benefit from such industry trends and regulatory changes. On the other hand, there could also be industry challenges and regulatory restrictions in the future that affect us.

Ability to Retain and Attract Physician Users and Drive User Engagement on Our *MedSci* Platform

Our long-term success depends on our ability to retain our existing physician users and attract new physician users, especially experienced physician users with the title of associate-chief physician and above. Our large and experienced physician user base and behavioral data accumulated with consent from our physician users have helped us to develop insights into the background and preferences of physicians and make us the platform of choice for pharmaceutical and medical device companies in launching digital marketing campaigns. We plan to extend our reach to cover more junior physicians who lack sufficient training and access to the latest medical knowledge information and academic support services, to attract, engage and retain additional physician users.

The attractiveness of our platform to pharmaceutical and medical device companies and the growth of our business are also driven by the engagement of our physician users. A continued increase in the engagement of our physician users will lead to an increase in more UGCs and enhanced recognition among physician users. We will continue to drive user engagement by enhancing the depth and breadth of information available on our platform, providing more comprehensive clinical decision support tools, upgrading our technology and strengthening its applications in our solutions, as well as expanding our solution offerings that are tailored to the evolving needs of physicians at all levels of expertise, leveraging our data insights.

Ability to Retain Existing Pharmaceutical and Medical Device Companies and Acquire New Pharmaceutical and Medical Device Companies

There is an increasing need for pharmaceutical and medical device companies to undergo digital transformation so as to get their products in front of physicians and patients in an efficient manner. The growth in the number of pharmaceutical and medical device companies who are our customers is a key driver of our revenue growth. We have amassed a large and diversified pharmaceutical and medical device companies customer base. During the Track Record Period, our customers for precision omni-channel marketing solutions included all of the top 20 global pharmaceutical and medical device companies in 2021 in terms of revenue, 82% of the top 50 global pharmaceutical and medical device companies in 2021 in terms of revenue, 50% of the innovative drug companies listed on the STAR Market pursuant to the fifth set of listing standards as of December 31, 2021 and 43% of the biotech companies listed on the Hong Kong Stock Exchange pursuant to Chapter 18A of the Listing Rules as of December 31, 2021.

We believe we have fostered the loyalty of existing pharmaceutical and medical device companies by delivering superior returns on their spending on our precision omni-channel marketing solutions. We benefit from our large and experienced physician user base, industry-leading academic medical expertise, strong research support capabilities, sophisticated data analytics and technological solutions, which will enable us to further strengthen our relationships with existing customers. We also seek to generate additional revenue from existing pharmaceutical and medical device companies through efforts such as expanding the product and service coverage of any single pharmaceutical and medical device company and enriching our solution offerings.

We aim to acquire and retain new pharmaceutical and medical device companies and continue to diversify our customer base. We have identified significant demand for digital marketing from pharmaceutical and medical device companies focusing on developing innovative drugs and medical devices and MNCs that need to reshape their marketing solutions with digitalized and academic medical contents. We will continue to invest in developing and offering more solutions, as well as adding new features to our existing solutions to address the needs of pharmaceutical and medical device companies more effectively.

Ability to Expand Our Solution Offerings

Our main business offerings include precision omni-channel marketing solutions, physician platform solutions and RWS solutions. We also offer other miscellaneous services during the Track Record Period. Our revenue grew significantly during the Track Record Period primarily due to our deeper penetration in these verticals and the expansion of our solution offerings to more customers.

Our future success is significantly dependent on our ability to further penetrate the verticals in which we operate by further expanding the scope of our solution offerings and by improving the quality and efficiency of our existing solutions. Historically, our revenue was primarily derived from precision omni-channel marketing solutions and physician platform solutions. We are in the process of launching a number of innovative products and services, including, among others, digital therapy programs, VR diagnosis products, prognosis modelling services and chronic disease management tools. We believe our new service offerings will allow us to stay at the frontend of healthcare reform.

Our Ability to Effectively Invest in Technology

Our technological capabilities are fundamental to our business. Our business and results of operations depend in part on our ability to invest in technology to cost-effectively meet the demands of our anticipated growth. Our ability to engage users and provide precision omni-channel marketing solutions to pharmaceutical and medical device companies is affected by the breadth and depth of our data insights that are enabled by our technology capabilities. We have made, and will continue to make, investments in our technology capabilities to attract physician users and pharmaceutical and medical device companies, enhance user experience and expand the capabilities and scale of our platform. In particular, we plan to continue to invest in the fields of AI, big data, smart recognition, Content and Technology Center + SaaS platforms and natural language processing to strengthen our technological advantage. We expect our strategic focus on innovations will further reinforce the entry barrier we established and enable us to capture additional market share, which in turn will enable us to further increase our revenue and strengthen our financial performance.

Seasonality

We experience seasonal fluctuations in the operating results of main solutions offerings. As compared to the rest of a year, we typically record higher revenue from our solutions offerings in the fourth quarter of a year primarily because physician users are more likely to complete IIT projects and pharmaceutical and medical device companies are more likely to engage us for precision omni-channel marketing solutions in the fourth quarter. As such, our operating results have fluctuated and are expected to continue to vary from period to period. Our financial performance for any period of less than a year may not reflect our annual financial results and a comparison of different periods may not be meaningful.

The Impact of and Our Responses to COVID-19

We primarily generate revenue from our precision omni-channel marketing solutions and physician platform solutions. Although some of our offline activities were interrupted due to the impact of COVID-19, we have not experienced significant difficulties or failed to discharge obligations under our existing contracts due to disruptions caused by the outbreak of COVID-19. We have business continuity plans in place, which include remote working arrangements for the majority of our workforce, and we do not currently anticipate significant challenges to our ability to maintain the operations of our platform in light of the measures under such plans. We also have not experienced material disruptions in services from our suppliers due to COVID-19. As a result, COVID-19 has not caused a material adverse impact on our financial condition, results of operations or development plans. However, as the COVID-19 pandemic resurged in the first quarter of 2022 in China, particularly in Shanghai, there remain significant uncertainties associated with risks brought by the pandemic. See "Business — The Impact of and Our Response to COVID-19" for more details.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

Revenue Recognition

We recognize revenue from contracts with customers when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

We transfer control of goods or services over time and recognize revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by our performance as we perform our services;
- Our performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- Our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If the control over the goods or services is transferred over time, we recognize revenue based on progress towards satisfaction of the performance obligation. Otherwise, we recognize revenue at a point in time when the customer obtains control of the goods or services.

We derive revenue from rendering of services of precision omni-channel marketing solutions, physician platform solutions, RWS solutions and sales of goods.

We recognize revenue of our major solution offerings over time in contrast to one time. Based on relevant accounting standards, since our customers simultaneously receive and consume the benefits provided by our services for precision omni-channel marketing solutions, physician platform solutions and RWS solutions, we recognize revenue over time during our performance rather than at one time after performing all obligations under the relevant contracts. See "— Precision Omni-Channel Marketing Solutions", "— Physician Platform Solutions" and "— RWS Solutions" below for details on why customers simultaneously receive and consume the benefits of our services.

We recognize our over time contracts based on the input method. Revenue on contracts over time involving the transfer of goods or services is recognized under either the input or output methods based on the applicable accounting standards. The input method recognizes revenue based on the proportion of the actual costs incurred relative to the estimated total costs for the satisfaction of the service. The output method recognizes revenue based on an objective measure of the value of goods or services delivered to the customer relative to the remaining promised goods or services to be delivered to the customer.

We recognize revenue from our solution offerings based on the input method primarily because (i) all of our major solution offerings are highly customized based on the demand from our customers and there are no universal objective milestones that can be utilized as an output to objectively measure the progress of our work; (ii) even if our contracts include certain milestone events for payments of installments of the total consideration under the contracts, such milestones in payment schedules are individually tailored and highly subjective; and (iii) given the nature of our business model with a large number of customer contracts and the relatively small amount for each contract, it is impracticable to have the customers certify objective milestones. According to Frost & Sullivan, such revenue recognition method is not uncommon in comparable companies in the same industry. Therefore, we believe the input method is appropriate in recognizing our revenues for our major solution offerings.

As we have adopted the input method for revenue recognition for precision omni-channel marketing solutions, physician platform solutions and RWS solutions, we recognize revenue based on the percentage of the actual costs incurred in relation to the estimated total costs for the satisfaction of the service. Our customers are not required to independently verify and certify our revenue under the applicable accounting standards for the input method. We believe amounts recognized under this method fairly represent our revenues as (i) we have implemented the internal control methods as described below to ensure the inputs accurately reflect the actual work progress; and (ii) the maximum amount of revenue that can be recognized was predetermined and fixed in each contract, and a majority of our contracts triggered the settlement term within one year from the date of the contracts.

Actual costs of each individual project primarily consist of staff salaries and benefits paid to our employees and content development costs paid to various content contributors, copyright owners and other content producers. Staff salaries and benefits were closely monitored in terms of actual labor hours spent on each individual project. We have adopted internal policies and standard procedures related to labor time records designed to ensure the accuracy of the records of actual labor hours expended for our projects in 2018. We also require our employees to closely track content development costs and various other costs incurred in order to accurately measure our work progress. During the implementation phase of a project, our employees are required to fill in their actual working hours and various costs incurred, along with the respective project identification codes and narratives of the work performed, in the project management system on a daily basis. Managers for each project are responsible for assigning tasks to the relevant departments and reviewing the reasonableness of time and cost records in the project management system based on the assigned tasks. To ensure the actual costs recorded are reasonably accurate, we have internal audit procedures and may conduct spot-check inspections on the time and cost records from time to time. For instance, employees at our management center who are responsible for finance and human resources need to compare the actual time entries entered with the attendance records each month to ensure the timeliness, accuracy and completeness of the actual costs recorded. We require our employees to trace labor time records and content development costs to each individual project when entering their daily working hours and expense entries in the project management system. As such, the vast majority of costs recorded are tied to each individual project. Nonetheless, we may incur some common costs during our operations and would allocate such common costs among different projects pro rata with the respective time entries and cost records of each relevant project.

We have also implemented internal policies and standard procedures to ensure our estimated total costs are reasonably accurate and up-to-date. Based on our experience and with the benefit of historical information on actual costs incurred for completed projects, we formulated an internal manual relating to budgeting that can guide the cost estimation process. According to our internal manual, our managers for each project are required to make detailed budgets on estimated labor hours and content development costs, including the specific departments involved as well as the estimated number and type of contents to be sourced from third parties. Reviews and approvals from senior management teams are necessary before giving effects to such budgets on estimated total costs. If the actual costs deviate materially from the estimated total costs, our internal manual requires us to promptly communicate with our customers and negotiate for additional fees. Furthermore, to ensure our estimated total costs are up-to-date, we conduct monthly reviews on whether detailed budgets on estimated total costs are made for all ongoing projects, quarterly reviews on any material deviations identified with respect to the estimated total costs and the underlying reasons thereof, and annual reviews of actual costs against the estimated total costs for all ongoing or completed projects in a given year. During the Track Record Period and up to the Latest Practicable Date, we had a few instances of material adjustments on estimated total costs and communicated with our customers accordingly. We consider an adjustment material when it deviates more than 10% from the original estimated total costs and the adjustment amount is equal to or more than RMB100,000. We made such adjustments primarily due to (i) changes on actual labor hours required resulting from changed work scope or contract duration; (ii) changes on content development costs or various other costs resulting from changed work scope or the fact that we provided the underlying materials or services with our own employees rather than third-party content or service provider, decreasing the actual costs incurred; and (iii) other additional costs incurred during project execution phase as a result of COVID-19 related temporary measures, additional costs incurred during the course of obtaining ethical or regulatory approvals and costs to accommodate additional demands from our customers. Nonetheless, our Directors are of the view that such adjustments do not have a material impact on the accuracy of our overall estimated total costs as the number of contracts subject to material adjustments only constituted less than 1% of the total number of ongoing contracts as of December 31, 2021 and projects initiated during the five months ended May 31, 2022.

Precision Omni-channel Marketing Solutions

Precision omni-channel marketing solutions mainly include precision detailing services, medical content creation services and online survey services with the purpose of enabling pharmaceutical and medical device companies to efficiently reach target physicians and effectively convey information about their medical products.

Contracts include a single performance obligation as delivery of integrated services over a period of time. The contract is normally at a fixed price and paid according to the progress specified in the contract. Revenue is recognized over time, as the customer simultaneously receives and consumes the benefits provided by us in precision omni-channel marketing solutions, and we use an input method to measure progress towards complete satisfaction of the service. For instance, during project execution, we regularly meet with our customers on our work progress and actual work performed and our customers can enjoy the benefits provided by us in precision omni-channel marketing solutions the moment we started to connect physicians, create medical contents or administer online surveys. During these regular follow-up meetings, our customers can provide timely feedbacks based on services received in order for us to provide more targeted precision omni-channel marketing solutions for them. All of these happen over a period of time. The fact that another entity would not need to substantially re-perform precision omni-channel marketing solutions from scratch for the service that we have provided to date even if the engagements with our customer were terminated also demonstrates that the customer simultaneously receives and consumes the benefits of our performance as we perform.

Physician Platform Solutions

Physician platform solutions primarily involve medical knowledge services and clinical study assistance services, addressing physicians' lifelong research and learning needs. Medical knowledge services involve the provision of academic medical information to physicians, covering their lifelong learning needs and the needs of other registered users on our *MedSci* platform. Clinical study assistance services involve providing guidance and support to physicians in IITs or other non-registered clinical trials.

Revenue from medical knowledge service is recognized over the expected usage periods because the customer simultaneously receives and consumes the benefits provided by us. We do not recognize credits granted to our users and content contributors for accessing premium contents on our *MedSci* platform as revenue.

For clinical study assistance services, the customer simultaneously receives and consumes the benefits provided by us and we have an enforceable right to payment from the customer for its performance completed to date according to the contracts. For instance, during project execution, we regularly meet with physician customers on our work progress and actual work performed and our physician customers can enjoy the benefits provided by us in clinical study assistance services the moment we started to design clinical study protocols and manage relevant databases. During these regular follow-up meetings, physicians can provide timely feedbacks based on services received in order for us to provide more targeted clinical study assistance services for them. All of these happen over a period of time. The fact that another entity would not need to substantially re-perform physician platform solutions from scratch for the service that we have provided to date even if the engagements with our customer were terminated also demonstrates that the customer simultaneously receives and consumes the benefits of our performance as we perform. As a result, revenue from clinical study assistance services is recognized over time.

Input method is used to measure progress towards complete satisfaction of the service. The input method recognized revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the service.

RWS Solutions

RWS solutions involve offering real-world evidence-based research to pharmaceutical and medical device companies regarding their medical products' safety and efficacy, including protocol design, data collection and assessment, project operation, statistical analysis and publication support.

For the RWS solutions, we consider that the series of ingredient activities undertaken are substantially the same and have the same pattern of transfer to the customers, and therefore account for them as one performance obligation. We recognize revenue for the RWS solutions ratably during the service period as the customers simultaneously receive and consume the benefits. For instance, during project execution, we regularly meet with our customers on our work progress and actual work performed and our customers can enjoy the benefits provided by us in RWS solutions the moment we started to collect data, operate the underlying project or perform statistical analysis. During these regular follow-up meetings, our customers can provide timely feedbacks based on services received in order for us to provide more targeted RWS solutions for them. All of these happen over a period of time. The fact that another entity would not need to substantially re-perform RWS solutions from scratch for the service that we have provided to date even if the engagements with our customer were terminated also demonstrates that the customer simultaneously receives and consumes the benefits of our performance as we perform.

Others

During the Track Record Period, we sold medical products from our platform. Revenue from the sales of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of goods. For sales of goods, we act as principals and are primarily responsible for selling goods to the customers. We recognize the fee received or receivable from customers as our revenue and all related goods costs as our cost of sales.

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, which means transferring control of the related goods or services to the customer.

Convertible Preferred Shares

The preferred shares we issued are classified, on the basis of their component parts, as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The preferred shares issued are classified as equity if they are non-redeemable by us or redeemable only at our option, and any dividends are discretionary. Dividends on preferred shares capital classified as equity are recognized as distributions within equity. The preferred shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the holders of the preferred shares (including options that are only exercisable in case of triggering events having occurred).

While some preferred shares issued by us are not redeemable, some others are redeemable upon the occurrence of certain future events. These instruments can also be converted into ordinary shares of ours at any time at the option of the holders, or automatically upon the occurrence of an [REDACTED] by us, or other conditions as detailed in Note 23 to the Accountants' Report.

We designated redeemable preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in profit or loss as incurred. The component of fair value changes relating to our own credit risk is recognized in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to subsequent recycling in profit or loss, but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognized in profit or loss.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	For the year ended December 31,						For the five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB '000	*% of Revenue*	*RMB '000*	*% of Revenue*	*RMB '000*	*% of Revenue*	*RMB' 000*	*% of Revenue*	*RMB' 000*	*% of Revenue*
							(unaudited)			
Revenue	165,391	100.0	215,854	100.0	297,731	100.0	90,274	100.0	120,437	100.0
Cost of sales	(69,477)	(42.0)	(98,822)	(45.8)	(107,921)	(36.2)	(34,745)	(38.5)	(46,249)	(38.4)
Gross profit	95,914	58.0	117,032	54.2	189,810	63.8	55,529	61.5	74,188	61.6
Other income and gains	2,593	1.6	4,411	2.0	7,918	2.7	1,038	1.1	7,377	6.1
Selling and distribution expenses	(38,000)	(23.0)	(46,587)	(21.6)	(83,217)	(28.0)	(27,730)	(30.7)	(39,941)	(33.2)
Administrative expenses	(21,072)	(12.7)	(22,318)	(10.3)	(39,619)	(13.3)	(14,520)	(16.1)	(36,547)	(30.3)
Research and development expenses	(19,918)	(12.0)	(18,078)	(8.4)	(24,412)	(8.2)	(10,140)	(11.2)	(8,119)	(6.7)
Impairment losses on financial and contract assets	(295)	(0.2)	(507)	(0.2)	(6,504)	(2.2)	(1,848)	(2.0)	(2,971)	(2.5)
Fair value losses on convertible redeemable preferred shares	—	—	—	—	(190,630)	(64.0)	—	—	(91,380)	(75.9)
Other expenses	(44)	(0.1)	(359)	(0.1)	(133)	(0.1)	(45)	(0.1)	(121)	(0.1)
Finance costs	(455)	(0.3)	(421)	(0.2)	(271)	(0.1)	(128)	(0.1)	(113)	(0.1)
Profit/(Loss) before tax	18,723	11.3	33,173	15.4	(147,058)	(49.4)	2,156	2.4	(97,627)	(81.1)
Income tax expense	(1,706)	(1.0)	(4,259)	(2.0)	(3,972)	(1.3)	(488)	(0.5)	(437)	(0.4)
Profit/(Loss) for the year/period	17,017	10.3	28,914	13.4	(151,030)	(50.7)	1,668	1.8	(98,064)	(81.4)
Attributable to:										
Owners of the parent	17,017	10.3	28,914	13.4	(151,030)	(50.7)	1,668	1.8	(98,064)	(81.4)
Other comprehensive income/(loss) for the year/period, net of tax	84	0.1	(126)	(0.1)	(499)	(0.2)	60	0.1	(13,717)	(11.4)
Total comprehensive income/(loss) for the year/period	17,101	10.4	28,788	13.3	(151,529)	(50.9)	1,728	1.9	(111,781)	(92.8)
Attributable to:										
Owners of the parent	17,101	10.4	28,788	13.3	(151,529)	(50.9)	1,728	1.9	(111,781)	(92.8)

Non-IFRS Measures

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted profit (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating certain items in calculating similar non-IFRS financial measures pursuant to GL103-19. We believe that this measure provides useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of the adjusted profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies, if such measures were not calculated pursuant to the Guidance Letter HKEX-GL 103–19. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted profit (non-IFRS measure) as profit for the period adjusted by adding back [REDACTED] and fair value losses on convertible redeemable preferred shares. We exclude such items in adjusted profit (non-IFRS measure) primarily because (i) [REDACTED] are expenses related to the [REDACTED] and (ii) fair value losses on convertible redeemable shares are non-cash items and are not expected to result in future cash payments made by us. During the Track Record Period, our adjusted profit (non-IFRS measure) increased from RMB17.0 million in 2019 to RMB41.2 million in 2021 and from RMB2.5 million for the five months ended May 31, 2021 to RMB14.7 million for the five months ended May 31, 2022. The increase of adjusted profit (non-IFRS measure) is generally in line with our revenue and profit expansion. See "— Descriptions of Major Components of Our Results of Operations" for reasons for our revenue and profit expansion.

	For the year ended December 31,			For the five months ended May 31,	
	2019	2020	2021	2021	2022
				(unaudited)	
			(RMB in thousands)		
Reconciliation of profit or loss for the year/period and adjusted profit (non-IFRS measure)					
Profit/(Loss) for the year/period	17,017	28,914	(151,030)	1,668	(98,064)
Add					
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fair value losses on convertible redeemable preferred shares(1)	—	—	190,630	—	91,380
Adjusted profit (non-IFRS measure)	17,017	28,914	41,169	2,533	14,694

Note:

1. Fair value losses on convertible redeemable preferred shares arise primarily from the changes in the carrying amount of our convertible redeemable preferred shares in connection with the [REDACTED] Investments. These fair value changes are non-cash in nature. Upon completion of the [REDACTED] and the [REDACTED], such convertible redeemable preferred shares will be automatically converted into ordinary shares of our Company at the applicable ratio with prior written approval from holders of such preferred shares and no fair value losses will be recorded.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue primarily from three main business lines, namely precision omni-channel marketing solutions, physician platform solutions and RWS solutions. The following table sets forth a breakdown of our revenue by business line, in absolute amounts and as percentages of the total revenue, for the periods indicated:

	For the year ended December 31,						For the five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
							(unaudited)			
	(in thousands, except percentages)									
Precision Omni-channel Marketing Solutions	100,183	60.6	130,608	60.5	184,070	61.8	57,015	63.2	69,126	57.4
Physician Platform Solutions	54,220	32.8	72,602	33.6	76,446	25.7	24,127	26.7	31,566	26.2
RWS Solutions	10,777	6.5	11,737	5.5	36,590	12.3	8,853	9.8	19,745	16.4
Others	211	0.1	907	0.4	625	0.2	279	0.3	—	0.0
Total	165,391	100.0	215,854	100.0	297,731	100.0	90,274	100.0	120,437	100.0

Precision Omni-channel Marketing Solutions

Revenue from precision omni-channel marketing solutions is primarily derived from fees paid by pharmaceutical and medical device companies in engaging us for precision detailing services, medical content creation services and online survey services.

Physician Platform Solutions

Revenue from physician platform solutions is primarily derived from (i) service fees paid by physicians for engaging us for clinical study assistance services and (ii) subscription fees paid by physicians for accessing certain premium academic medical contents on the *MedSci* platform.

RWS Solutions

Revenue from RWS solutions is primarily derived from service fees paid by pharmaceutical and medical device companies in engaging us to design, administer and execute real-world evidence-based research projects to help expand their medical products' indication and recognition.

Others

Revenue from others is primarily derived from fees paid by patients for purchasing medical products in our offline pharmacies. We discontinued such services in 2021.

For details of our brands and products, see "Business — Our Business Services."

Cost of Sales

Our cost of sales consists primarily of (i) staff salaries and benefits relating to employee benefit expenses incurred for employees involved in operating our platform and offering our solutions to customers, (ii) content development costs primarily relating to content development fees paid to various content contributors, copyright owners and other content producers, (iii) meeting affair charge relating to offline academic conferences we organized and (iv) various other miscellaneous expenses such as, among others, office expenses and depreciation and amortization incurred during the ordinary course of our business.

The following table sets forth a breakdown of our cost of sales by nature, in absolute amounts and as percentages of the total cost of sales, for the periods indicated:

	For the year ended December 31						For the five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
							(unaudited)			
	(RMB in thousands, except percentages)									
Staff salaries and benefits	19,423	28.0	31,907	32.3	48,111	44.6	19,645	56.5	22,048	47.7
Content development costs	43,162	62.1	62,961	63.7	54,937	50.9	13,911	40.0	23,199	50.2
Meeting affair charge	5,310	7.7	1,785	1.8	3,199	3.0	760	2.2	841	1.8
Office expenses	425	0.6	354	0.4	193	0.2	116	0.3	19	0.0
Depreciation and amortization	103	0.1	118	0.1	139	0.1	61	0.2	30	0.1
Cost of goods	148	0.2	595	0.6	428	0.4	194	0.6	—	—
Others	906	1.3	1,102	1.1	914	0.8	58	0.2	112	0.2
Total	69,477	100.0	98,822	100.0	107,921	100.0	34,745	100.0	46,249	100.0

The following table sets forth a breakdown of our cost of sales by business line, in absolute amounts and as percentages of the total cost of sales, for the periods indicated:

	For the year ended December 31,						For the five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
							(unaudited)			
	(RMB in thousands, except percentages)									
Precision Omni-channel Marketing Solutions	45,346	65.3	67,787	68.6	65,988	61.1	21,345	61.4	25,199	54.5
Physician Platform Solutions	16,599	23.9	19,893	20.1	16,253	15.1	7,023	20.2	7,636	16.5
RWS Solutions	7,384	10.6	10,547	10.7	25,252	23.4	6,183	17.8	13,414	29.0
Others	148	0.2	595	0.6	428	0.4	194	0.6	—	0.0
Total	69,477	100.0	98,822	100.0	107,921	100.0	34,745	100.0	46,249	100.0

The cost of sales relating to precision omni-channel marketing solutions primarily consists of (i) staff salaries and benefits paid to employees developing customized academic medical contents for our customers, (ii) content development costs paid to various content contributors, copyright owners and other content producers, and (iii) meeting affair charges relating to organizing various offline academic conferences.

The cost of sales relating to physician platform solutions primarily consists of (i) staff salaries and benefits paid to employees who provide clinical study assistance to physicians and (ii) staff salaries and benefits paid to employees who produce contents and operate our *MedSci* platform.

The cost of sales relating to RWS solutions primarily consists of (i) staff salaries and benefits paid to employees who administer our RWS solutions, (ii) staff salaries and benefits paid to employees who develop and maintain our SaaS programs for RWS solutions and (iii) content development costs.

The cost of sales relating to others primarily consists of costs of the medical products, rental fees for offline pharmacies and staff salaries and benefits paid to our employees.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit by business line both in absolute amounts and as the percentage of respective revenue, or gross profit margin, for the periods indicated:

	For the year ended December 31,						For the five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
							(unaudited)			
	(RMB in thousands, except percentages)									
Gross Profit and Gross Profit Margin:										
Precision Omni-channel Marketing Solutions	54,837	54.7	62,821	48.1	118,082	64.2	35,670	62.6	43,927	63.5
Physician Platform Solutions	37,621	69.4	52,709	72.6	60,193	78.7	17,104	70.9	23,930	75.8
RWS Solutions	3,393	31.5	1,190	10.1	11,338	31.0	2,670	30.2	6,331	32.1
Others	63	29.9	312	34.4	197	31.5	85	30.5	—	—
Total	95,914	58.0	117,032	54.2	189,810	63.8	55,529	61.5	74,188	61.6

Our gross profit increased from RMB95.9 million in 2019 to RMB117.0 million in 2020 and to RMB189.8 million in 2021 and further increased from RMB55.5 million for the five months ended May 31, 2021 to RMB74.2 million for the five months ended May 31, 2022 as a result of our business expansion resulting in strong revenue growth during the Track Record Period.

Gross profit margin for precision omni-channel marketing solutions decreased from 54.7% in 2019 to 48.1% in 2020, primarily due to an increase in staff salaries and benefits resulting from an increase in the number of employees recruited as well as an increase in content development costs as we need to source more contents from our content producers to meet the increasing demand from our customers. Gross profit margin for precision omni-channel marketing solutions subsequently increased to 64.2% in 2021, primarily due to increased economies of scale. Furthermore, gross profit margin for precision omni-channel marketing solutions increased slightly from 62.6% for the five months ended May 31, 2021 to 63.5% for the five months ended May 31, 2022, primarily due to greater efficiency of our employees resulting from a more experienced workforce. As more physicians join our *MedSci* platform and their engagement increases, our entire platform benefits from better data insights and stronger network effects, which allow for more accurate and more cost-efficient delivery of our solutions. This, in turn, attracts more pharmaceutical and medical device companies, further enabling us to deliver our precision omni-channel marketing solutions in a cost-effective manner.

Gross profit margin for physician platform solutions increased from 69.4% in 2019 to 72.6% in 2020, and to 78.7% in 2021, and further increased from 70.9% for the five months ended May 31, 2021 to 75.8% for the five months ended May 31, 2022, primarily due to greater efficiency resulting from implementation of the latest technology. The introduction of advanced technologies such as AI and big data capabilities enabled us to identify the needs of physician users and provide targeted recommendations on academic medical contents and medical support tools that can address physicians' demands. Furthermore, such advanced technologies also allow us to serve an increasing number of customers without increasing our team size. As such, the overall operating efficiency improved as a result of the implementation of the latest technology. Moreover, our operating efficiency for clinical study assistance services also improved during the Track Record Period as a result of a more experienced and well-structured workforce. For instance, we restructured our team to simplify the work procedures, making it possible for our employee to focus their time on their area of expertise to efficiently execute clinical study assistance projects.

Gross profit margin for RWS solutions decreased from 31.5% in 2019 to 10.1% in 2020, primarily due to an increase in staff salaries and benefits as we recruited more employees as well as an increase in content development costs as interruptions to our business operations due to COVID-19 required us to source more contents from content producers to meet the increasing demand from our customers. Furthermore, some of our RWS solutions projects were suspended in 2020 because temporary lockdown measures prohibited participating physicians, researchers and hospitals from further conducting RWS projects in a timely manner, extending the average project life for RWS solutions in 2020. The gross profit margin for RWS solutions subsequently increased to 31.0% in 2021, primarily due to the implementation of technology, the increased economic activities in China as a result of a decrease in COVID-19-related incidents in China, economies of scale as a result of our business expansion and better efficiency of our workforce. Gross profit margin for RWS solutions increased from 30.2% for the five months ended May 31, 2021 to 32.1% for the five months ended May 31, 2022, primarily due to the enhanced efficiency of our employees as a result of business expansion and experienced workforce.

Gross profit margin for others increased from 29.9% in 2019 to 34.4% in 2020, primarily due to an increase in sales of the type of medical products with a relatively higher gross profit margin. Gross profit margin for others remained at a relatively stable level at 31.5% in 2021. Gross profit margin for others decreased from 30.5% for the five months ended May 31, 2021 to nil for the five months ended May 31, 2022, primarily because we discontinued the sales of medical products in 2021.

Other Income and Gains

Our other income primarily consists of (i) bank interest income, (ii) tax incentives granted by local authorities, (iii) tax incentives on value-added tax and (iv) others. We also recognized gains during the Track Record Period, which primarily includes (i) foreign exchange gains, (ii) fair value gains on financial assets through profit or loss and (iii) gain on disposal of subsidiaries.

The following table sets forth a breakdown of our other income and gains for the periods indicated:

	For the year ended December 31,			For the five months ended May 31,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in thousands)				
Other Income					
Bank interest income	992	1,469	4,845	886	3,358
Tax linked incentives by local authorities	868	1,667	1,624	27	1,629
Tax incentives on value-added tax	197	266	521	70	146
Others	40	13	92	55	43
	2,097	3,415	7,082	1,038	5,176
Gains					
Foreign exchange difference, net	17	—	—	—	2,201
Fair value gain of financial assets at fair value through profit or loss	479	996	—	—	—
Gain on disposal of subsidiaries	—	—	836	—	—
	496	996	836	—	2,201
Total	2,593	4,411	7,918	1,038	7,377

Selling and Distribution Expenses

Our selling and distribution expenses consist primarily of (i) staff salaries and benefits mainly including expenses paid to employees performing selling and distribution functions, (ii) traveling expenses mainly including traveling fees incurred by our employees in performing selling and distribution functions, (iii) professional fees in relation to fees paid to external lecturers in hosting our online courses, (iv) business development expenses mainly including marketing-associated costs in relation to various online and offline campaigns and (v) other miscellaneous expenses, such as, office expenses and depreciation and amortization in relation to property, office equipment and electronic equipment in association with selling and distribution functions.

Our selling and distribution expenses increased significantly during the Track Record Period primarily due to an increase in staff salaries and benefits as we expanded our businesses. We expect our selling and distribution expenses to remain substantial in absolute amounts as we need to further expand our solution offerings and retain existing and attract new customers.

The following table sets forth a breakdown of our selling and distribution expenses both in absolute amounts and as percentages of the total selling and distribution expenses for the periods indicated:

	For the year ended December 31,						For the five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
							(unaudited)			
	(RMB in thousands, except percentages)									
Staff salaries and benefits	32,301	85.0	41,882	89.9	73,959	88.9	25,276	91.1	36,463	91.3
Professional fees	2,211	5.8	1,880	4.0	2,896	3.5	350	1.3	1,285	3.2
Traveling expenses	1,911	5.0	1,645	3.5	2,657	3.2	340	1.2	287	0.7
Office expenses	385	1.0	241	0.5	628	0.8	130	0.5	99	0.2
Depreciation and amortization	305	0.8	281	0.6	281	0.3	125	0.4	120	0.3
Business development expenses	836	2.2	651	1.4	2,581	3.1	1,321	4.8	1,550	3.9
Others	51	0.1	7	0.0	215	0.3	188	0.7	137	0.4
Total	38,000	100.0	46,587	100.0	83,217	100.0	27,730	100.0	39,941	100.0

Administrative Expenses

Our administrative expenses consist primarily of (i) staff salaries and benefits mainly including salaries and benefits paid to employees performing administrative functions, (ii) depreciation and amortization in relation to property, office equipment and electronic equipment in association with administrative functions, (iii) professional fees in relation to auditing fees, service fees paid for external training and service fees paid to employment agencies, (iv) office expenses in relation to administrative functions, (v) share-based payment in relation to the Equity Incentive Plan, (vi) [REDACTED] in relation to the [REDACTED] and (vii) other miscellaneous fees such as traveling expenses and rental expenses incurred during the ordinary course of our business when performing administrative functions.

The following table sets forth a breakdown of the components of our administrative expenses both in absolute amounts and as percentages of the total administrative expenses for the periods indicated:

	For the year ended December 31,						For the five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
							(unaudited)			
	(RMB in thousands, except percentages)									
Staff salaries and benefits	8,011	38.0	10,010	44.9	14,148	35.7	4,711	32.4	6,079	16.6
Share-based payment	—	0.0	—	0.0	8,151	20.6	3,397	23.4	2,810	7.7
Traveling expenses	547	2.7	357	1.5	307	0.7	52	0.4	30	0.1
Office expenses	914	4.3	865	3.9	1,161	2.9	189	1.3	361	1.0
Depreciation and amortization	5,868	27.8	6,430	28.8	7,591	19.2	2,889	19.9	3,262	8.9
Professional fees	3,179	15.1	2,115	9.5	2,745	6.9	1,071	7.4	1,571	4.3
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Rental expenses	1,427	6.8	1,008	4.5	1,691	4.3	852	5.8	489	1.4
Tax	719	3.4	1,061	4.8	1,551	3.9	285	2.0	562	1.5
Others	407	1.9	472	2.1	705	1.8	209	1.4	5	0.0
Total	21,072	100.0	22,318	100.0	39,619	100.0	14,520	100.0	36,547	100.0

Research and Development Expenses

Our research and development expenses primarily consist of (i) salaries and benefits for employees performing research and development functions, (ii) professional fees in relation to third-party software and technology required to build our platform infrastructure and (iii) other miscellaneous expenses such as, among others, traveling expenses, depreciation and amortization and office expenses incurred during the research and development process. Our research and development expenses reached RMB19.9 million, RMB18.1 million, RMB24.4 million, RMB10.1 million and RMB8.1 million, respectively, in 2019, 2020 and 2021 and for the five months ended May 31, 2021 and 2022.

Impairment Losses on Financial and Contract Assets

Impairment losses on financial and contract assets arise primarily from impairments of trade receivables, contract assets and other assets. In 2019, 2020 and 2021 and for the five months ended May 31, 2021 and 2022, we had impairment losses on financial and contract assets of RMB0.3 million, RMB0.5 million, RMB6.5 million, RMB1.8 million and RMB3.0 million, respectively. An impairment analysis is performed at the end of each of the Track Record Periods using a provision matrix to measure expected credit losses. The provision rates are based on aging and past due for groupings of various customer segments with 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 end of each of the Track Record Periods about past events, current conditions and forecasts of future economic conditions.

Fair Value Losses on Convertible Redeemable Preferred Shares

Our fair value losses on convertible redeemable preferred shares arise primarily from the changes in the carrying amount of our convertible redeemable preferred shares in connection with the [REDACTED] Investments. Prior to the [REDACTED], such convertible redeemable preferred shares have not been traded in an active market and their value at each respective reporting period is determined using valuation techniques. Furthermore, the fair value losses on convertible redeemable preferred shares are negatively related to the value of our business. In 2021 and for the five months ended May 31, 2022, we had fair value losses on convertible redeemable preferred shares of RMB190.6 million and RMB91.4 million.

Other Expenses

Our other expenses primarily consist of bank charges, compensation and indemnities paid in relation to certain immaterial disputes relating to contents on our platform and exchange losses. See "Business — Legal Proceedings and Compliance" for details. We recorded other expenses of RMB0.04 million, RMB0.4 million, RMB0.1 million, RMB0.05 million and RMB0.1 million in 2019, 2020 and 2021 and for the five months ended May 31, 2021 and 2022, respectively.

Finance Costs

Our finance costs primarily represent interest on our lease liabilities. We recorded finance costs of RMB0.5 million, RMB0.4 million, RMB0.3 million, RMB0.1 million and RMB0.1 million in 2019, 2020 and 2021 and for the five months ended May 31, 2021 and 2022, respectively.

Income Tax Expense

We recorded income tax expense of RMB1.7 million, RMB4.3 million, RMB4.0 million, RMB0.5 million and RMB0.4 million in 2019, 2020 and 2021 and for the five months ended May 31, 2021 and 2022, respectively. As of the Latest Practicable Date, we did not have any material disputes with any tax authority.

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 the PRC.

Cayman Islands

We are incorporated in the Cayman Islands. Under the current law of the Cayman Islands, we are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

Hong Kong

Our subsidiary incorporated in Hong Kong is subject to Hong Kong's two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits on the first HK$2 million and 16.5% for any assessable profits in excess of HK$2 million. During the Track Record Period, no Hong Kong profit tax on our subsidiary incorporated in Hong Kong has been provided because there was no assessable profits arising in Hong Kong during the Track Record Period.

PRC

Our subsidiaries incorporated in China are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Pursuant to the PRC Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008 and was last amended on December 29, 2018, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. For example, enterprises qualified as "High and New Technology Enterprises" are entitled to a 15% enterprise income tax rate rather than the 25% uniform statutory tax rate. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

Considering that, during the Track Record Period and up to the Latest Practicable Date, (i) we had made all the required tax filings and enterprise income tax payments with the relevant authorities in PRC, (ii) we were not subject to any tax audit, tax dispute or tax investigation, and (iii) we have obtained confirmation letters from the relevant tax authorities, which are the competent authorities to issue such confirmations as advised by our PRC Legal Adviser, confirming that the competent authority had not found that our PRC operating entities had any outstanding tax payments or had been imposed any penalty with respect to tax, our PRC Legal Adviser is not aware that any of our PRC operating entities have been penalized by the relevant authorities due to material violation of the relevant tax laws and regulations during the Track Record Period.

Profit for the Year/Period

As a result of the foregoing, our profit for the year amounted to RMB17.0 million and RMB28.9 million, respectively, in 2019 and 2020. We incurred a loss of RMB151.0 million in 2021. Our profit amounted to RMB1.7 million for the five months ended May 31, 2021, and we incurred a loss of RMB98.1 million for the five months ended May 31, 2022.

COMPARISON OF RESULTS OF OPERATIONS

Five Months Ended May 31, 2022 Compared to Five Months Ended May 31, 2021

Revenue

Our revenue increased by 33.4% from RMB90.3 million for the five months ended May 31, 2021 to RMB120.4 million for the five months ended May 31, 2022, primarily driven by the following factors:

- *Precision Omni-channel Marketing Solutions*. Revenue generated from our precision omni-channel marketing solutions increased by 21.2% from RMB57.0 million for the five months ended May 31, 2021 to RMB69.1 million for the five months ended May 31, 2022. The increase in revenue was primarily attributable to an increase in the number of customers we served from approximately 200 pharmaceutical and medical device companies for the five months ended May 31, 2021 to approximately 270 pharmaceutical and medical device companies for the five months ended May 31, 2022 and an increase in penetration of existing pharmaceutical and medical device companies by providing precision omni-channel marketing solutions for multiple medical products from the same customer.

- *Physician Platform Solutions*. Revenue generated from our physician platform solutions increased by 30.8% from RMB24.1 million for the five months ended May 31, 2021 to RMB31.6 million for the five months ended May 31, 2022. The increase in revenue was primarily attributable to the expansion of our clinical study assistance services through enhancing our *MedSci* platform to attract more physicians and drive up their activeness and interest in our solutions.

- *RWS Solutions*. Revenue generated from our RWS solutions increased by 123.0% from RMB8.9 million for the five months ended May 31, 2021 to RMB19.7 million for the five months ended May 31, 2022. The increase in revenue was primarily attributable to favorable governmental policies that resulted in an increase in the RWS solutions market, leading to an increase in customers we served. Volume-based procurement, together with other regulatory changes, pushed pharmaceutical and medical device companies to engage us in real-world evidence-based studies to generate academic medical contents to expand their medical products' recognition among physicians as well as help pharmaceutical and medical device companies expand their medical products' indications. The number of pharmaceutical and medical device companies that engaged us for RWS solutions increased from 27 for the five months ended May 31, 2021 to 46 for the five months ended May 31, 2022.

- *Others*. Revenue generated from others decreased from RMB0.3 million for the five months ended May 31, 2021 to nil for the five months ended May 31, 2022 due to the discontinuation of sales of medical products in 2021.

Cost of Sales

Our cost of sales increased by 33.1% from RMB34.7 million for the five months ended May 31, 2021 to RMB46.2 million for the five months ended May 31, 2022, primarily driven by the following factors:

- *Precision Omni-channel Marketing Solutions*. Cost of sales related to precision omni-channel marketing solutions increased by 18.1% from RMB21.3 million for the five months ended May 31, 2021 to RMB25.2 million for the five months ended May 31, 2022. The increase in cost of sales was generally in line with revenue growth and was primarily attributable to an increase in content development costs for the five months ended May 31, 2022 as compared to the same period in 2021 as we sourced more services and materials from content contributors, copyright owners and other content producers to meet the needs of our customers.

- *Physician Platform Solutions*. Cost of sales related to physician platform solutions increased by 8.7% from RMB7.0 million for the five months ended May 31, 2021 to RMB7.6 million for the five months ended May 31, 2022. The increase in cost of sales was primarily attributable to an increase in content development costs for the five months ended May 31, 2022 as compared to the same period in 2021 as we source more services and materials from content contributors, copyright owners and other content producers to meet the needs of our customers.

- *RWS Solutions*. Cost of sales related to RWS solutions increased by 116.9% from RMB6.2 million for the five months ended May 31, 2021 to RMB13.4 million for the five months ended May 31, 2022. The increase in cost of sales was primarily attributable to our business expansion that resulted in higher costs incurred, especially a substantial increase in content development costs paid to content producers.

- *Others*. Cost of sales related to others decreased from RMB0.2 million for the five months ended May 31, 2021 to nil for the five months ended May 31, 2022.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 33.6% from RMB55.5 million for the five months ended May 31, 2021 to RMB74.2 million for the five months ended May 31, 2022. Our gross profit margin remained stable at 61.6% for the five months ended May 31, 2022 as compared to 61.5% for the five months ended May 31, 2021, primarily driven by the following factors:

- *Precision Omni-channel Marketing Solutions*. Gross profit for our precision omni-channel marketing solutions increased by 23.1% from RMB35.7 million for the five months ended May 31, 2021 to RMB43.9 million for the five months ended May 31, 2022. Our gross profit margin for precision omni-channel marketing solutions increased slightly from 62.6% for the five months ended May 31, 2021 to 63.5% for the five months ended May 31, 2022, primarily due to a more skilled workforce that resulted in higher efficiency.

- *Physician Platform Solutions*. Gross profit for our physician platform solutions increased by 39.9% from RMB17.1 million for the five months ended May 31, 2021 to RMB23.9 million for the five months ended May 31, 2022. Our gross profit margin for physician platform solutions increased from 70.9% for the five months ended May 31, 2021 to 75.8% for the five months ended May 31, 2022, primarily due to the implementation of technology and optimization of our work procedure and team structure that allowed us to meet the demands from our customers with a more streamlined team structure.

- *RWS Solutions*. Gross profit for our RWS solutions increased by 137.1% from RMB2.7 million for the five months ended May 31, 2021 to RMB6.3 million for the five months ended May 31, 2022. Our gross profit margin for RWS solutions increased from 30.2% for the five months ended May 31, 2021 to 32.1% for the five months ended May 31, 2022, primarily due to the enhanced efficiency of our employees as a result of business expansion and experienced workforce.

- *Others*. Gross profit for others decreased from RMB0.1 million for the five months ended May 31, 2021 to nil for the five months ended May 31, 2022 as we discontinued the sales of medical products in 2021.

Other Income and Gains

Our other income and gains increased by 610.7% from RMB1.0 million for the five months ended May 31, 2021 to RMB7.4 million for the five months ended May 31, 2022, primarily due to (i) an increase in bank interest income from RMB0.9 million for the five months ended May 31, 2021 to RMB3.4 million for the five months ended May 31, 2022 due to an increase in bank deposits from cash generated from our ordinary course of business as well as cash from our settlement of series C financing in 2021, (ii) an increase in foreign exchange gains from nil for the five months ended May 31, 2021 to RMB2.2 million for the five months ended May 31, 2022 due to gains from foreign currency received from series C financing and (iii) an increase in tax linked incentives by local authorities from RMB0.03 million for the five months ended May 31, 2021 to RMB1.6 million for the five months ended May 31, 2022 due to the fact that we received the tax refund for year 2021 from the local government in January 2022 while the same tax refund for year 2020 was received in the second half of 2021.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 44.0% from RMB27.7 million for the five months ended May 31, 2021 to RMB39.9 million for the five months ended May 31, 2022. The increase was primarily due to (i) an increase in staff salaries and benefits from RMB25.3 million for the five months ended May 31, 2021 to RMB36.5 million for the five months ended May 31, 2022 primarily resulting from an increase in the number of employees responsible for selling and distribution for the five months ended May 31, 2022 as compared to the same period in 2021 and (ii) an increase in professional fees from RMB0.4 million for the five months ended May 31, 2021 to RMB1.3 million for the five months ended May 31, 2022 resulting from the engagement of third parties providing services and advice on launching various online courses on our websites and various public accounts.

Administrative Expenses

Our administrative expenses increased by 151.7% from RMB14.5 million for the five months ended May 31, 2021 to RMB36.5 million for the five months ended May 31, 2022. The increase was primarily due to (i) an increase in [REDACTED] in connection with the [REDACTED] from RMB0.9 million for the five months ended May 31, 2021 to RMB21.4 million for the five months ended May 31, 2022 and (ii) an increase in staff salaries and benefits from RMB4.7 million for the five months ended May 31, 2021 to RMB6.1 million for the five months ended May 31, 2022 primarily resulting from an increase in the number of employees performing general and administrative functions.

Research and Development Expenses

Our research and development expenses decreased by 19.9% from RMB10.1 million for the five months ended May 31, 2021 to RMB8.1 million for the five months ended May 31, 2022. We implemented various technology services into our daily operation in 2022 that enabled us to enhance the research and development efficiency with a more streamlined workforce. As a result of this technology and efficiency change, we optimized our workforce as we require our research and development personnel to be capable of combining their research talents with business insights, leading to a decrease in the number of employees performing solely research and development functions and a corresponding decrease in research and development expenses. Going forward, we are committed to serving our customers with latest technology solutions and expect to increase our spending on research and development to support our businesses.

Impairment Losses on Financial and Contract Assets

Our impairment losses on financial and contract assets increased by 60.8% from RMB1.8 million for the five months ended May 31, 2021 to RMB3.0 million for the five months ended May 31, 2022, primarily due to an increase in impairment in line with the increase in our contract assets as well as an increase in expected credit loss rate of our contract assets primarily resulting from the fact that the aging of certain contract assets reached two years in 2021 and we recognized the full amount of such contract assets as allowance for expected credit losses on contract assets as a result of our prudent financial policy. See "— Discussion of Certain Key Balance Sheet Items — Contract Assets" for more details.

Fair Value Losses on Convertible Redeemable Preferred Shares

We recorded fair value losses on convertible redeemable preferred shares of RMB91.4 million for the five months ended May 31, 2022 as a result of valuation.

Other Expenses

Our other expenses increased by 168.9% from RMB0.05 million for the five months ended May 31, 2021 to RMB0.1 million for the five months ended May 31, 2022, primarily due to losses recorded resulting from deregistration of a subsidiary in 2022.

Finance Costs

Our finance costs decreased by 11.7% from RMB128 thousand for the five months ended May 31, 2021 to RMB113 thousand for the five months ended May 31, 2022, primarily due to a decrease in interest on lease liabilities resulting from the decrease in renewal rents for certain properties we leased in 2022.

Profit/(Loss) before Tax

As a result of the foregoing, we recorded profit before tax of RMB2.2 million and loss before tax of RMB97.6 million for the five months ended May 31, 2021 and 2022, respectively.

Income Tax Expense

Our income tax expense decreased by 10.5% from RMB0.5 million for the five months ended May 31, 2021 to RMB0.4 million for the five months ended May 31, 2022, primarily due to [REDACTED] incurred for the five months ended May 31, 2022 that result in a decrease in taxable income.

Profit/(Loss) for the Period

As a result of the foregoing, we recorded profit of RMB1.7 million and loss of RMB98.1 million for the five months ended May 31, 2021 and 2022, respectively.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 37.9% from RMB215.9 million in 2020 to RMB297.7 million in 2021, primarily driven by the following factors:

- *Precision Omni-channel Marketing Solutions*. Revenue generated from our precision omni-channel marketing solutions increased by 40.9% from RMB130.6 million in 2020 to RMB184.1 million in 2021. The increase in revenue was primarily attributable to an increase in the number of customers we served from approximately 200 pharmaceutical and medical device companies in 2020 to approximately 250 pharmaceutical and medical device companies in 2021 and an increase in penetration of existing pharmaceutical and medical device companies by providing precision omni-channel marketing solutions for multiple medical products from the same customer.

- *Physician Platform Solutions*. Revenue generated from our physician platform solutions increased by 5.3% from RMB72.6 million in 2020 to RMB76.4 million in 2021, primarily attributable to the expansion of our clinical study assistance services and the initiation of our subscription service model for certain premium contents on our *MedSci* platform in 2021.

- *RWS Solutions*. Revenue generated from our RWS solutions increased significantly by 211.7% from RMB11.7 million in 2020 to RMB36.6 million in 2021. The increase in revenue was primarily attributable to favorable governmental policies that resulted in an increase in the RWS solutions market, leading to an increase in customers we served. Volume-based procurement, together with other regulatory changes, pushed pharmaceutical and medical device companies to engage us in real-world evidence-based studies to generate academic medical contents to expand their medical products' recognition among physicians as well as helping them expand their medical products' indications. The number of pharmaceutical and medical device companies that engaged us for RWS solutions increased from 10 in 2020 to 27 in 2021.

- *Others*. Revenue generated from others decreased by 31.1% from RMB0.9 million in 2020 to RMB0.6 million in 2021. The decrease in others was primarily attributable to discontinuation of sales of medical products in 2021.

Cost of Sales

Our cost of sales increased by 9.2% from RMB98.8 million in 2020 to RMB107.9 million in 2021. The increase in cost of sales is primarily driven by the following factors:

- *Precision Omni-channel Marketing Solutions*. Cost of sales related to precision omni-channel marketing solutions decreased by 2.7% from RMB67.8 million in 2020 to RMB66.0 million in 2021. The decrease in cost of sales was primarily attributable to an increase in operating efficiency resulting from a more skilled workforce and a decrease in content development costs paid to content producers resulting from our enhanced capabilities in generating medical academic contents through our own employees.

- *Physician Platform Solutions*. Cost of sales related to physician platform solutions decreased by 18.3% from RMB19.9 million in 2020 to RMB16.3 million in 2021. The decrease in cost of sales was primarily attributable to an increase in operating efficiency resulting from implementation of technology that allowed us to operate with a more streamlined team structure and a more skilled workforce as well as a decrease in content development costs paid to content producers resulting from our enhanced capabilities in generating medical academic contents on our *MedSci* platform through our own employees.

- *RWS Solutions*. Cost of sales related to RWS solutions increased significantly by 139.4% from RMB10.5 million in 2020 to RMB25.3 million in 2021. The significant increase in cost of sales was primarily attributable to our business expansion that resulted in higher costs incurred, such as, increases in staff salaries and benefits paid to employees and content development costs paid to content producers.

- *Others*. Cost of sales related to others decreased by 28.1% from RMB0.6 million in 2020 to RMB0.4 million in 2021.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 62.2% from RMB117.0 million in 2020 to RMB189.8 million in 2021. Our gross profit margin increased from 54.2% in 2020 to 63.8% in 2021, primarily because of the margin expansion of all of our major business lines.

- *Precision Omni-channel Marketing Solutions*. Gross profit for our precision omni-channel marketing solutions increased by 88.0% from RMB62.8 million in 2020 to RMB118.1 million in 2021. Our gross profit margin for precision omni-channel marketing solutions increased from 48.1% in 2020 to 64.2% in 2021, primarily due to economies of scale and a more skilled workforce that resulted in higher efficiency as well as a higher level of engagement among registered users that attracted more pharmaceutical and medical device companies.

- *Physician Platform Solutions*. Gross profit for our physician platform solutions increased by 14.2% from RMB52.7 million in 2020 to RMB60.2 million in 2021. Our gross profit margin for physician platform solutions increased from 72.6% in 2020 to 78.7% in 2021, primarily due to economies of scale and positive network effect resulting from the growing number of registered physician users on our *MedSci* platform as we continue to provide useful and targeted contents and tools addressing their needs. Furthermore, the implementation of latest technology also allowed us to operate our business with a more streamlined team structure.

- *RWS Solutions*. Gross profit for our RWS solutions increased by 852.8% from RMB1.2 million in 2020 to RMB11.3 million in 2021. Our gross profit margin for RWS solutions increased from 10.1% in 2020 to 31.0% in 2021, primarily due to the implementation of technology such as, optical character recognition, and clinical study assistance products, such as, ePro, that improves our operating efficiency in delivering RWS solutions as well as the increased economic activities in China as a result of a decrease in COVID-19-related incidents in China, economies of scale as a result of our business expansion and better efficiency of our workforce.

- *Others*. Gross profit for others decreased from RMB0.3 million in 2020 to RMB0.2 million in 2021, primarily attributable to the discontinuation of sales of medical products in 2021.

Other Income and Gains

Our other income and gains increased by 79.5% from RMB4.4 million in 2020 to RMB7.9 million in 2021, primarily due to (i) an increase in bank interest income from RMB1.5 million in 2020 to RMB4.8 million in 2021 resulting from an increase in bank deposits from cash generated from our ordinary course of business as well as cash from our settlement of series C financing in 2021 and (ii) an increase in gain on disposal of subsidiaries in the amount of RMB0.8 million in 2021 as we disposed of certain of our subsidiaries, partially offset by a decrease in fair value gain of financial assets at fair value through profit or loss as we disposed of our wealth management products in 2020.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 78.6% from RMB46.6 million in 2020 to RMB83.2 million in 2021. The increase was primarily due to (i) an increase in staff salaries and benefits from RMB41.9 million in 2020 to RMB74.0 million in 2021 primarily resulting from an increase in the number of employees responsible for selling and distribution; (ii) an increase in business development expenses from RMB0.7 million in 2020 to RMB2.6 million in 2021 resulting from the hosting of various marketing activities; and (iii) an increase in professional fees from RMB1.9 million in 2020 to RMB2.9 million in 2021 resulting from technology service fees paid to professionals to enhance growth and engagement of our users and content contributors.

Administrative Expenses

Our administrative expenses increased by 77.5% from RMB22.3 million in 2020 to RMB39.6 million in 2021. The increase was primarily due to (i) an increase in staff salaries and benefits from RMB10.0 million in 2020 to RMB14.1 million in 2021 primarily resulting from an increase in the number of employees performing general and administrative functions, (ii) an increase in share-based payment in 2021 resulting from the Equity Incentive Plan, (iii) an increase in [REDACTED] of [REDACTED] in connection with the [REDACTED] and (iv) an increase in depreciation and amortization in association with property, plant and equipment performing administrative functions.

Research and Development Expenses

Our research and development expenses increased by 35.0% from RMB18.1 million in 2020 to RMB24.4 million in 2021, primarily attributable to an increase in staff and salaries costs relating to employees performing research and development functions.

Impairment Losses on Financial and Contract Assets

Our impairment losses on financial and contract assets increased significantly by 1,182.8% from RMB0.5 million in 2020 to RMB6.5 million in 2021, primarily due to an impairment resulting from the fact that the aging of certain contract assets reached two years in 2021 and we recognized the full amount of such contract assets as allowance for expected credit losses on contract asset as a result of our prudent financial policy. See "Discussion of Certain Key Balance Sheet Items — Contract Assets" for more details.

Fair Value Losses on Convertible Redeemable Preferred Shares

We recorded fair value losses on convertible redeemable preferred shares of RMB190.6 million in 2021 as a result of valuation.

Other Expenses

Our other expenses decreased by 63.0% from RMB0.4 million in 2020 to RMB0.1 million in 2021, primarily because, unlike 2020, we did not incur compensation and liquidated damages in 2021. See "Business — Legal Proceedings and Compliance" for details on compensation and liquidated damages paid with respect to disputes over contents on our *MedSci* platform.

Finance Costs

Our finance costs decreased from RMB0.4 million in 2020 to RMB0.3 million in 2021, primarily due to a decrease in lease interest as we paid our rents for properties we leased.

Profit/(Loss) before Tax

As a result of the foregoing, we recorded profit before tax of RMB33.2 million in 2020 and a loss before tax of RMB147.1 million in 2021.

Income Tax Expense

Our income tax expense decreased from RMB4.3 million in 2020 to RMB4.0 million in 2021, primarily due to the increase in deductibles as a result of our increase in research and development expenses.

Profit/(Loss) for the Year

As a result of the foregoing, we recorded profit of RMB28.9 million in 2020 and loss of RMB151.0 million in 2021.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue increased by 30.5% from RMB165.4 million in 2019 to RMB215.9 million in 2020, primarily driven by the following factors:

- *Precision Omni-channel Marketing Solutions*. Revenue generated from our precision omni-channel marketing solutions increased by 30.4% from RMB100.2 million in 2019 to RMB130.6 million in 2020. The increase in revenue was primarily attributable to an increase in the number of customers we served from approximately 180 pharmaceutical and medical device companies in 2019 to approximately 200 pharmaceutical and medical device companies in 2020 and an increase in the number of overall service contracts for precision omni-channel marketing solutions.

- *Physician Platform Solutions*. Revenue generated from our physician platform solutions increased by 33.9% from RMB54.2 million in 2019 to RMB72.6 million in 2020. The increase in revenue was primarily attributable to an increase in the number of physicians we served for clinical study assistance services from approximately 3,200 in 2019 to approximately 3,500 in 2020.

- *RWS Solutions*. Revenue generated from our RWS solutions increased by 8.9% from RMB10.8 million in 2019 to RMB11.7 million in 2020. The increase in revenue was primarily attributable to favorable governmental policies that resulted in the increase in the RWS solutions market, leading to an increase in service contracts under performance. Volume-based procurement, together with other regulatory changes, made pharmaceutical and medical device companies to engage us in real-world evidence-based studies to generate academic medical contents to expand their medical products' recognition among physicians as well as helping pharmaceutical and medical device companies expand their medical products' indications. The increase was partially offset by the fact that the COVID-19 pandemic created practical difficulties for physicians to conduct clinical studies that can generate real-world-based evidence for RWS solutions.

- *Others*. Revenue generated from others increased by 329.9% from RMB0.2 million in 2019 to RMB0.9 million in 2020. The increase in revenue was primarily attributable to an increase in revenue from sales of medical products.

Cost of Sales

In line with our revenue growth, our cost of sales increased by 42.2% from RMB69.5 million in 2019 to RMB98.8 million in 2020. The increase in cost of sales is primarily driven by the following factors:

- *Precision Omni-channel Marketing Solutions*. Cost of sales related to precision omni-channel marketing solutions increased by 49.5% from RMB45.3 million in 2019 to RMB67.8 million in 2020. The increase in cost of sales was primarily attributable to an increase in staff salaries and benefits as we recruited more employees and an increase in content development costs.

- *Physician Platform Solutions*. Cost of sales related to physician platform solutions increased by 19.8% from RMB16.6 million in 2019 to RMB19.9 million in 2020. The increase in cost of sales was primarily attributable to an increase in staff salaries and benefits as we recruited more employees and an increase in content development costs.

- *RWS Solutions*. Cost of sales related to RWS solutions increased by 42.8% from RMB7.4 million in 2019 to RMB10.5 million in 2020. The increase in cost of sales was primarily attributable to our business expansion that resulted in higher staff salaries and benefits paid to our employees and higher content development costs.

- *Others*. Cost of sales related to others increased from RMB0.1 million in 2019 to RMB0.6 million in 2020 as we scaled up our sales of medical product business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 22.0% from RMB95.9 million in 2019 to RMB117.0 million in 2020. Our gross profit margin slightly decreased from 58.0% in 2019 to 54.2% in 2020, primarily driven by the decrease in profit margin resulting from precision omni-channel marketing solutions and RWS solutions.

- *Precision Omni-channel Marketing Solutions*. Gross profit for our precision omni-channel marketing solutions increased by 14.6% from RMB54.8 million in 2019 to RMB62.8 million in 2020. Our gross profit margin for precision omni-channel marketing solutions decreased from 54.7% in 2019 to 48.1% in 2020, primarily due to an increase in staff salaries and benefits as we recruited more employees as well as an increase in content development costs as we need to source more contents from our content producers to meet the increasing demand from our customers.

- *Physician Platform Solutions*. Gross profit for our physician platform solutions increased by 40.1% from RMB37.6 million in 2019 to RMB52.7 million in 2020. Our gross profit margin for physician platform solutions increased from 69.4% in 2019 to 72.6% in 2020, primarily due to a higher level of user engagement and economies of scale that led to higher growth of our revenue as compared to cost of sales as well as the implementation of technology that allowed us to meet the demands from our customers with a more streamlined team structure.

- *RWS Solutions*. Gross profit for our RWS solutions decreased by 64.9% from RMB3.4 million in 2019 to RMB1.2 million in 2020. Our gross profit margin for RWS solutions decreased from 31.5% in 2019 to 10.1% in 2020, primarily due to an increase in staff salaries and benefits as we recruited more employees and an increase in content development costs as interruptions to our business operations due to COVID-19 required us to source more contents from content producers to meet the increasing demand from our customers.

- *Others*. Gross profit for others increased significantly from RMB0.06 million in 2019 to RMB0.3 million in 2020. Our gross profit margin for others increased from 29.9% in 2019 to 34.4% in 2020, primarily due to higher sales volumes of medical products with a higher gross profit margin.

Other Income and Gains

Our other income and gains increased by 70.1% from RMB2.6 million in 2019 to RMB4.4 million in 2020, primarily due to (i) an increase in bank interest income from RMB1.0 million in 2019 to RMB1.5 million in 2020 resulting from an increase in bank deposits as a result of cash generated from our ordinary course of business as well as cash from settlement of series B financing in 2020, (ii) an increase in tax linked incentives by local authorities as our taxable income increase in 2020 and (iii) an increase in fair value gains of financial assets at fair value through profit or loss resulting from the gain in wealth management products we purchased. We disposed all wealth management products in 2020.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 22.6% from RMB38.0 million in 2019 to RMB46.6 million in 2020. The increase was primarily due to an increase in staff salaries and benefits from RMB32.3 million in 2019 to RMB41.9 million in 2020 primarily resulting from an increase in the number of employees performing selling and distribution functions.

Administrative Expenses

Our administrative expenses increased by 5.9% from RMB21.1 million in 2019 to RMB22.3 million in 2020, primarily attributable to an increase in staff salaries and benefits as we recruited more employees performing administrative function in 2020.

Research and Development Expenses

Our research and development expenses decreased by 9.2% from RMB19.9 million in 2019 to RMB18.1 million in 2020, primarily because some of our research and development personnel were assisting with designing digital products for our customers in 2020 due to increased demands for digital services as a result of COVID-19 and their respective staff salaries and benefits were recorded under cost of sales accordingly in 2020.

Impairment Losses on Financial and Contract Assets

Our impairment losses on financial and contract assets increased by 71.9% from RMB0.3 million in 2019 to RMB0.5 million in 2020, primarily due to an increase in impairment in line with the increase in our contract assets.

Other Expenses

Our other expenses increased by 715.9% from RMB0.04 million in 2019 to RMB0.4 million in 2020, primarily due to an increase in bank charges and an increase in one-time compensation and liquidated damages paid in 2020 resulting from certain disputes with respect to contents on our *MedSci* platform. See "Business — Legal Proceedings and Compliance" for details.

Finance Costs

Our finance costs remained relatively stable at RMB0.4 million in 2020 as compared to RMB0.5 million in 2019.

Profit/(Loss) before Tax

As a result of the foregoing, we recorded profit before tax of RMB18.7 million and RMB33.2 million in 2019 and 2020, respectively.

Income Tax Expense

Our income tax expense increased from RMB1.7 million in 2019 to RMB4.3 million in 2020, primarily due to an increase in our business operations in 2020.

Profit/(Loss) for the Year

As a result of the foregoing, we recorded profit of RMB17.0 million and RMB28.9 million in 2019 and 2020, respectively.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I to this Document:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Total non-current assets	31,972	28,218	23,818	33,686
Total current assets	160,929	322,722	685,395	676,734
Total assets	192,901	350,940	709,213	710,420
Total non-current liabilities	7,568	2,910	603,663	726,741
Total current liabilities	117,409	151,318	172,765	159,765
Total liabilities	124,977	154,228	776,428	886,506
Net assets/(liabilities)	67,924	196,712	(67,215)	(176,086)
Share capital	—	—	5	5
Convertible preferred shares	—	—	53,417	53,417
Reserves	67,924	196,712	(120,637)	(229,508)
Total Equity/(deficiency in assets)	67,924	196,712	(67,215)	(176,086)

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

	As of December 31,			As of May 31,	As of September 30,
	2019	2020	2021	2022	2022
					(unaudited)
	(RMB in thousands)				
Current assets					
Trade receivables	16,277	17,537	29,693	20,972	28,233
Contract assets	11,599	22,088	50,942	63,822	66,956
Due from related parties	1,300	250	250	250	250
Prepayments, deposits and other receivables	4,881	5,875	8,508	20,619	22,391
Financial assets at fair value through profit or loss	30,479	—	—	—	—
Cash and bank balances	96,393	276,972	596,002	571,071	557,291
Total current assets	160,929	322,722	685,395	676,734	675,121
Current liabilities					
Trade payables	2,264	2,388	1,587	1,741	662
Other payables and accruals	107,068	142,277	159,756	143,282	153,958
Tax payable	2,000	300	8,018	7,796	2,029
Lease liabilities	6,077	6,353	3,404	6,946	6,277
Total current liabilities	117,409	151,318	172,765	159,765	162,926
Net current assets	43,520	171,404	512,630	516,969	512,195

We recorded net current assets of RMB512.2 million as of September 30, 2022, being the latest practicable date for our indebtedness statement, as compared to net current assets of RMB517.0 million as of May 31, 2022, primarily due to (i) a decrease in cash and bank balances of RMB13.8 million resulting from our use of cash for operating activities to scale up our business and (ii) an increase in other payables and accruals of RMB10.7 million due to an increase in contract liabilities as many of our customers prepaid for our services after the lift of temporary measures implement due to COVID-19 in Shanghai, partially offset by an increase in trade receivables of RMB7.3 million resulting from our enhanced billing activities at our premises after the lift of temporary measures implemented due to COVID-19 in Shanghai and a decrease in tax payables of RMB5.8 million resulting from the payment made to relevant tax authorities during the annual Enterprise Income Tax filing in June 2022.

We recorded net current assets of RMB517.0 million as of May 31, 2022, as compared to net current assets of RMB512.6 million as of December 31, 2021, primarily due to (i) an increase in contract assets of RMB12.9 million resulting from our business expansion and (ii) an increase in prepayments, deposits and other receivables of RMB12.1 million resulting from an increase in the capitalized portion of incurred [REDACTED] as well as an increase in deposits as we expanded our business and an increase in other receivables resulting from an increase in interest receivables from our bank deposits offshore. The increase was partially offset by a decrease in cash and bank balances of RMB24.9 million resulting from our use of cash for operating activities to scale up our businesses.

We recorded net current assets of RMB512.6 million as of December 31, 2021, as compared to net current assets of RMB171.4 million as of December 31, 2020, primarily due to (i) an increase in cash and bank balances of RMB319.0 million primarily resulting from the settlement of our series C financing in 2021 and cash generated from our ordinary course of business and (ii) an increase in contract assets of RMB28.9 million and an increase in trade receivables of RMB12.2 million resulting from our business expansion that led to more trade receivables and contract assets from our customers.

We recorded net current assets of RMB171.4 million as of December 31, 2020, as compared to net current assets of RMB43.5 million as of December 31, 2019, primarily due to (i) an increase in cash and bank balances of RMB180.6 million resulting from the settlement of our series B financing in 2020 and cash generated from our ordinary course of business and (ii) an increase in contract assets of RMB10.5 million resulting from our business expansion. The increase is partially offset by an increase in other payables and accruals of RMB35.2 million resulting from our business expansion and a decrease in financial assets at fair value through profit or loss of RMB30.5 million resulting from the disposal of our wealth management products in 2020.

Trade Receivables

Trade receivables represent outstanding amounts due from our customers for services that we provided in the ordinary course of business. A trade receivable is recorded when we have an unconditional right to consideration. Our trade receivables mainly arise from precision omni-channel marketing solutions and RWS solutions. Our trade receivables are generally due for settlement within six months and therefore are all classified as current assets. The following table sets forth a breakdown of our trade receivables as of the dates indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Trade receivables	16,486	17,920	30,749	21,846
Impairment	(209)	(383)	(1,056)	(874)
Total	16,277	17,537	29,693	20,972

Our trade receivables amounted to RMB16.3 million, RMB17.5 million, RMB29.7 million and RMB21.0 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. The increase in our trade receivables from RMB16.3 million as of December 31, 2019 to RMB29.7 million as of December 31, 2021 was primarily attributable to the growth of our business, especially the growth of our precision omni-channel marketing solutions and RWS solutions. Our trade receivables decreased to RMB21.0 million as of May 31, 2022 primarily due to the seasonality of trade receivables as we typically record higher revenue in the fourth quarter of a year. See" — Major Factors Affecting Our Results of Operations — Seasonality" for more details. Furthermore, due to temporary measures implemented due to COVID-19 in Shanghai, we were unable to timely issue some of our invoices to our customers in time such that certain contract assets cannot be reclassified timely as trade receivables. As the temporary measures implemented due to COVID-19 in Shanghai were lifted in June, 2022, we were able to issue more invoices to our customers and can reclassify such contract assets as trade receivables. Impairment of trade receivables increased from RMB0.2 million as of December 31, 2019 to RMB1.1 million as of December 31, 2021, primarily attributable to the increase in trade receivables and the management's assessment of credit risk exposure at the end of each Track Record Period. The impairment of trade receivables decreased to RMB0.9 million as of May 31, 2022 primarily due to the decrease in trade receivables.

The following table sets forth the turnover days of our trade receivables as well as trade receivables and contract assets for the periods indicated:

	For the year ended December 31,			For the five months ended May 31,
	2019	2020	2021	2022
Trade receivables turnover days[(1)]	25	29	30	32
Trade receivables and contract assets turnover days[(2)]	42	57	74	103

Note:

(1) Trade receivables turnover days are based on the average balance of trade receivables divided by total revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days. The number of days for the five months ended May 31, 2022 is 150 days.

(2) Trade receivables and contract assets turnover days for a period are calculated using the average of open balance and closing balance of the trade receivables and contract assets for such period divided by revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days. The number of days for the five months ended May 31 is 150 days.

Our trade receivables turnover days were 25 days, 29 days, 30 days and 32 days in 2019, 2020 and 2021 and for the five months ended May 31, 2022, respectively. The increase in trade receivables turnover days from 25 days to 29 days was primarily attributable to the increase in our revenue. It remained stable at 30 days in 2021 as compared to 2020 primarily due to our enhanced trade receivables collection measures as our revenue grew. Our trade receivables turnover days remained relatively stable at 32 days for the five months ended May 31, 2022 as compared to 30 days in 2021. The slight increase was mainly due to temporary measures implemented due to COVID-19 which affected our ability to timely settle trade receivables from our customers. We generally granted a credit term ranging from 60 to 180 days to our customers and most of our customers settle their payments within the credit term.

Our trade receivables and contract assets turnover days amounted to 42 days, 57 days, 74 days and 103 days in 2019, 2020 and 2021 and for the five months ended May 31, 2022, respectively. The increase from 42 days in 2019 to 57 days in 2020 and further to 74 days in 2021 was attributable to the increase in average project life cycles of our solutions offerings. See "— Contract Assets" for details on quantitative analysis on the increase in project life cycles. The increase from 74 days in 2021 to 103 days for the five months ended May 31, 2022 was primarily attributable to (i) the increase in average life cycles of our solutions offerings; (ii) the seasonality of our services that typically result in lower revenue in the first half of the year; and (iii) the temporary measures implemented in the first half of 2022 due to COVID-19 which affected our ability to issue invoices.

The following table sets forth an aging analysis of our trade receivables, based on the invoice dates, as of the dates indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Within six months	15,463	15,279	25,205	16,778
Over six months and within one year	481	1,724	3,886	3,760
One to two years	324	512	546	392
Two to three years	9	22	56	42
Total	16,277	17,537	29,693	20,972

The following table sets forth an aging analysis of collection status of our trade receivables as of the dates indicated:

	Trade Receivables as of May 31, 2022	Trade Receivables Collected as of September 30, 2022	
	(RMB in thousands, expect percentages)		
Within six months	16,778	10,366	61.8%
Over six months and within one year	3,760	3,269	86.9%
One to two years	392	192	49.1%
Over two years	42	21	50.1%
Total	20,972	13,848	66.0%

As of September 30, 2022, RMB13.8 million, or 66.0% of our trade receivables outstanding as of May 31, 2022 had been subsequently collected.

Our Directors are of the view that there is no material recoverability issue for our contract assets and the trade receivables arising from subsequent billing. Throughout the Track Record Period and based on our previous experience with collection of trade receivables, we have not experienced material recoverability issues. As of May 31, 2022, approximately RMB4.2 million of trade receivables aged over our maximum 180-day credit term. As of September 30, 2022, RMB3.5 million, or 83.0% of our trade receivables aged over 180 days as of May 31, 2022 had been subsequently collected. See "— Contract Assets" for additional analysis on the recoverability of contract assets and the trade receivables arising from subsequent billings during the Track Record Period. Having considered that (i) the trade receivables balances were mainly due from customers with ongoing business relationships with us, (ii) there were no material ongoing disputes with such customers, (iii) these customers had been making continuous subsequent repayment to us and their historical repayment pattern was generally consistent during the Track Record Period, (iv) the lift of temporary measures implemented in Shanghai due to COVID-19 allowed us to timely issue invoices and collect trade receivables, and (v) we have continuously carried out stringent credit management policy and increased effort in trade receivables collection, our Directors are of the view that there is no material recoverability issue for our trade receivables.

In addition, we have recorded expected credit loss allowances for our trade receivables during the Track Record Period by applying a provision matrix to measure expected credit losses in accordance with applicable accounting principles. The provision rates for past due balances are estimated taking into consideration of the aging analysis of trade receivables based on invoice dates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each period of the Track Record Period about past events, current conditions and forecasts of future economic conditions. Therefore, our Directors are of the view that sufficient provision had been made for our trade receivables during the Track Record Period in accordance with applicable accounting principles. See Note 16 and Note 17 to the Accountants' Report included in Appendix I to this Document for details of vintage-based model and impairment analysis performed.

Contract Assets

Our contract assets represent our right to consideration in exchange for goods or services transferred to the customer before the issuance of bills and payment of such consideration by customers. The following table sets forth a breakdown of our contract assets by solution category as of the dates indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Contract assets arising from:				
Precision Omni-channel Marketing Solutions	9,046	19,079	40,025	51,486
RWS Solutions	2,702	3,491	17,149	21,684
	11,748	22,570	57,174	73,170
Impairment	(149)	(482)	(6,232)	(9,348)
Total, Net	11,599	22,088	50,942	63,822

Contract assets are initially recognized in relation to revenue earned from the provision of precision omni-channel marketing solutions and RWS solutions as the receipt of consideration is conditional on the successful completion of customized milestones in the contractual arrangements. Upon the issuance of invoices of services according to the contractual arrangements, the amounts recognized as contract assets are reclassified to trade receivables. Our net contract assets increased from RMB11.6 million as of December 31, 2019 to RMB22.1 million as of December 31, 2020 and to RMB50.9 million as of December 31, 2021 as a result of business expansion that led to an increase in contract assets. Specifically, the increase in contract assets is mainly attributable to the significant increase in the sales of precision omni-channel marketing solutions and RWS solutions during the Track Record Period. Normally the contractual period in almost all of our contracts will be within two years and with two to seven customized and highly tailored milestone events to bill the customers according to the contractual terms. Our net contract assets further increased to RMB63.8 million as of May 31, 2022 as a result of temporary measures implemented due to COVID-19 which affected our ability to timely issue invoices to our customers. As such, our contract assets, especially those aged within two years, increased substantially from RMB11.7 million as of December 31, 2019 to RMB22.6 million as of December 31, 2020, to RMB56.2 million as of December 31, 2021 and further to RMB72.2 million as of May 31, 2022.

Contract assets are subject to impairment assessment. An impairment analysis is performed at the end of each period of the Track Record Period using a provision matrix to measure expected credit losses. The provision matrix is based on a vintage-based model of various customer segments with similar loss patterns. The impairment for contract assets increased significantly from RMB0.5 million as of December 31, 2020 to RMB6.2 million as of December 31, 2021 and further to RMB9.3 million as of May 31, 2022, mainly because of (i) the increase in the overall contract assets balance and (ii) the aging of contract assets from an online platform serving primarily physicians and patients on medical training, treatment and pharmacy management which reached two years in 2021 and we recognized the full amount of such contract assets as allowance for expected credit losses on contract assets as a result of our prudent financial policy. With respect to works performed for such customer, we completed part of the project in 2019 in accordance with the contractual arrangements and recognized approximately RMB950,000 as revenue in 2019 out of the total contract value of approximately RMB3.0 million. We believe the revenue recognized fairly represents our work progress due to our internal policies and standard procedures on revenue recognition. For details, see "— Critical Accounting Policies and Estimates — Revenue Recognition". We recorded an expected credit loss rate of 0.9% and 14.7% in 2019 and 2020, respectively, based on our internal financial policy. Starting in 2020, the customer intended to terminate the project as the original sponsor of the RWS project did not settle its payment obligations owed to our customer. The project was officially terminated in 2021. We are in discussions with the customer on the settlement arrangement for our fees and intend to issue invoices after the settlement arrangement is confirmed. As two years had passed since the completion of the early phase of the project as of December 31, 2021 and the project had been actually terminated during 2021, we recognized the full amount of contract assets as impairment. As of May 31, 2022, all contract assets aged over two years were from such customer with respect to the same project. Furthermore, the aging and eventual full provision of such contract assets also significantly increased the overall expected credit loss rates and the expected credit loss rates for contract assets of all age groups. As of the same date, except for this one project which was terminated, we did not have any other ongoing project with such customer.

Although our contract assets represent our right to consideration in exchange for the goods or services we offered, contract assets are not equivalent to a right to payment. The aging of contract assets results from the timing difference between our project completion status and the timing of issuance of our invoice and we typically issue invoices to our customers based on relevant settlement terms or milestones detailed in payment schedules in each contract. During the Track Record Period, a majority of our projects triggered a settlement term within one year from the date of the contract based on the contractual arrangements and almost all of our contracts triggered a settlement term based on the contractual arrangements within two years from the date of the contract. As such, when determining the amount of impairment for contract assets, we take our historical settlement terms in our contractual arrangements into account and consider any contract assets aged over two years as atypical. As such, we are of the view that any contract assets aged over two years have relatively high uncertainty as to whether we are able to issue invoices and receive settlement of payments in full. Therefore, based on our prudent financial policy, we recognized the full amount of contract assets aged over two years as impairment.

The following table sets forth an aging analysis of our contract assets and the respective expected credit loss recognized as of the dates indicated:

	As of December 31, 2019			
	Contract Assets	Expected Credit Loss	Expected Credit Loss Rate	Contract Assets, Net
	(RMB in thousands, expect percentages)			
Within one year	11,423	106	0.9%	11,317
One to two years	325	43	13.2%	282
Over two years	—	—	—	—
Total	**11,748**	**149**	**1.3%**	**11,599**

	As of December 31, 2020			
	Contract Assets	Expected Credit Loss	Expected Credit Loss Rate	Contract Assets, Net
	(RMB in thousands, expect percentages)			
Within one year	21,307	296	1.4%	21,011
One to two years	1,263	186	14.7%	1,077
Over two years	—	—	—	—
Total	**22,570**	**482**	**2.1%**	**22,088**

	As of December 31, 2021			
	Contract Assets	Expected Credit Loss	Expected Credit Loss Rate	Contract Assets, Net
	(RMB in thousands, expect percentages)			
Within one year	52,730	3,514	6.7%	49,216
One to two years	3,494	1,768	50.6%	1,726
Over two years	950	950	100.0%	—
Total	**57,174**	**6,232**	**10.9%**	**50,942**

	As of May 31, 2022			
	Contract Assets	Expected Credit Loss	Expected Credit Loss Rate	Contract Assets, Net
	(RMB in thousands, expect percentages)			
Within one year	64,711	4,924	7.6%	59,787
One to two years	7,509	3,474	46.3%	4,035
Over two years	950	950	100.0%	—
Total	**73,170**	**9,348**	**12.8%**	**63,822**

The expected credit loss rates of our contract assets increased significantly from 1.3% as of December 31, 2019, to 2.1% as of December 31, 2020, to 10.9% as of December 31, 2021, and further to 12.8% as of May 31, 2022, primarily as a result of (i) an increase of contract assets aged over two years from an online platform serving primarily physicians and patients on medical training, treatment and pharmacy management as detailed above; (ii) an increase of contract assets aged one to two years as we started to provide more comprehensive and longer-term solution offerings to our customers and the average contract amounts increased accordingly; and (iii) the mechanics of the vintage based model that leads to higher expected credit loss rates for contract assets of all age groups. With respect to (ii) above, for instance, our precision omni-channel marketing solutions evolved from providing isolated precision detailing services and medical content creation services into an integrated solution that focuses on commercialization of the underlying medical products. Such an integrated solution was more comprehensive as compared to the previous isolated services and typically entailed longer project life cycles and invoice cycles, resulting in an increase of contract assets aged one to two years. Our RWS solutions also developed from clinical evidence generation oriented assistance into full life cycle comprehensive services that cover protocol design, data collection and assessment, project operation, statistical analysis and publication support. As a result of the above, the average contract amount of precision omni-channel marketing solutions was approximately RMB72,000, RMB92,000, RMB155,000 and RMB159,000 in 2019, 2020 and 2021 and for the five months ended May 31, 2022, respectively, and the average contract amount of RWS solutions was approximately RMB11,000, RMB84,000, RMB354,000 and RMB728,000 in 2019, 2020 and 2021 and for the five months ended May 31, 2022, respectively. The average life cycles of precision omni-channel marketing solutions amounted to four, eight, seven and 12 months in 2019, 2020 and 2021 and for the five months ended May 31, 2022, respectively, and the average life cycle of RWS solutions amounted to two, eight, 13 and 16 in 2019, 2020 and 2021 and for the five months ended May 31, 2022, respectively. We do not believe the change in average project life cycle had a material adverse impact on our cash funding needs as we recorded positive cash flows from operating activities in 2019, 2020 and 2021. Although we recorded net cash outflow from operating activities of RMB33.3 million for the five months ended May 31, 2022, we believe such cash outflow was primarily attributable to cash payment made as a result of [REDACTED] incurred in connection with the [REDACTED] and temporary measures implemented in Shanghai due to COVID-19 that prevented us from timely issuing invoices and settling outstanding contract assets and receiving prepayments from our customers. With the lift of temporary measures in June 2022, we expect our cash generated from operating activities to further improve. With respect to (iii) above, as the proportion of contract assets with longer ages increased as compared to the contract assets with shorter ages in the previous year, the vintage-based model considers the probability that contract assets with shorter ages would carry forward to the contract assets with longer ages in the following year increased, enlarging the expected credit loss rates.

Nonetheless, despite the increase in expected credit loss rates, the recoverability of the contract assets and the trade receivables arising from subsequent billings did not deteriorate materially during the Track Record Period. For instance, as of May 31, 2022, all contract assets aged over two years were from one project for one customer, namely, the online platform serving primarily physicians and patients on medical training, treatment and pharmacy management as detailed above. Meanwhile, the trade receivables turnover days maintained relatively steady at 25 days, 29 days, 30 days and 32 days, respectively, in 2019, 2020 and 2021 and for the five months ended May 31, 2022 as compared to the increase in expected credit loss rates of contract assets during the Track Record Period, indicating that the recoverability of our contract assets and trade receivables did not deteriorate significantly alongside the significant increase in expected credit loss rates of contract assets. Moreover, the percentage of trade receivables past due constituted 33.9%, 42.6%, 32.9% and 33.1% of total trade receivables as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. The decrease from 42.6% to 32.9% further confirms that the recoverability of our contract assets and trade receivables did not deteriorate from year 2020 to year 2021. As shown in the aging analysis of settlement and collection status of our trade receivables and gross contract assets, as of September 30, 2022, the invoice percentage of contract assets as of May 31, 2022 with longer ages as well as the collection percentage of trade receivables as of May 31, 2022 with longer ages did not deteriorate significantly during the Track Record Period. Such subsequent settlement status further confirms that there has been no material deterioration in the recoverability of the contract assets and trade receivable arising from subsequent billing. Although we recorded net cash outflow from operating activities of RMB33.3 million for the five months ended May 31, 2022, we believe such cash outflow did not indicate a material deterioration in the recoverability of our contract assets and trade receivables and was attributable to cash payment made as a result of [REDACTED] incurred in connection with the [REDACTED], seasonality of our operating performance and temporary measures implemented in Shanghai due to COVID-19 that prevented us from timely issuing invoices and settling outstanding contract assets and receiving prepayments from our customers. With the lift of temporary measures in June 2022, we expect our cash generated from operating activities, as well as the subsequent settlement of contract assets and trade receivables, to further improve.

The following table sets forth an aging analysis of settlement status of our gross contract assets as of the dates indicated:

	Contract Assets as of May 31, 2022	Contract Assets Reclassified as Trade Receivables as of September 30, 2022	
	(RMB in thousands, expect percentages)		
Within one year	64,711	26,509	41.0%
One to two years	7,509	3,537	47.1%
Over two years	950	—	—
Total	**73,170**	**30,046**	**41.1%**

As of September 30, 2022, RMB30.0 million, or 41.1% of our gross contract assets outstanding as of May 31, 2022 had been reclassified as trade receivables. Furthermore, as of the same date, RMB16.3 million, or 22.4% of our gross contract assets outstanding as of May 31, 2022 had been subsequently collected.

The following table sets forth the settlement status of our gross contract assets by business line as of September 30, 2022 and the Latest Practicable Date:

	As of May 31, 2022	As of September 30, 2022		As of the Latest Practicable Date	
	Contract Assets	Reclassified as Trade Receivables	Payment Settled for Trade Receivables	Reclassified as Trade Receivables	Payment Settled for Trade Receivables
	(RMB in thousands)				
Precision Omni-Channel Marketing Solutions	51,486	23,817	12,410	25,796	15,815
RWS Solutions	21,684	6,229	3,961	6,558	5,268
Total	**73,170**	**30,046**	**16,371**	**32,354**	**21,083**

There were no contract assets with respect to physician platform solutions as of May 31, 2022 primarily because our physician customers typically prepay fees in advance for our solution offering. Our gross contract assets reclassified as trade receivables increased from RMB30.0 million as of September 30, 2022 to RMB32.4 million as of the Latest Practicable Date as we started to timely issue invoices and settle outstanding contract assets as we resumed normal business operations at our premises after the lift of temporary measures implemented due to COVID-19 in Shanghai. We expect the settlement of our contract assets to further increase as we and our customers resume our normal business operations.

Due from Related Parties

Due from related parties primarily represents payment to one of our senior management members, which was fully repaid in 2020. During the Track Record Period, we recorded such due from related parties of RMB1.3 million, RMB0.3 million, RMB0.3 million and RMB0.3 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. The decrease during the Track Record Period was attributable to the settlement of payment from our senior management member in 2020. The RMB0.3 million due from related parties in 2020 and 2021 and for the five months ended May 31, 2022 was non-trade in nature and represented loans to Shanghai Meiyue, one of our former employee equity incentive platforms. Such an amount will be settled prior to the [REDACTED]. For details, please see Note 29 to the Accountants' Report set forth in Appendix I to this Document.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables consist primarily of (i) prepayments to suppliers for content creation and technology services, (ii) advances to employees to support our business operation, (iii) other current assets relating to prepaid tax by our subsidiaries, (iv) deposits in connection with tender deposits for precision omni-channel marketing solutions and RWS solutions as well as security deposits for our leases, and (v) other receivables, mainly relating to trade receivables from our disposed subsidiaries. Our prepayments, deposits and other receivables were generally expected to be recovered or recognized as expenses within one year and therefore are all classified as current assets.

The following table sets forth a breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Prepayments to suppliers	2,898	3,989	4,068	13,428
Advances to employees	523	140	66	114
Other current assets	207	430	97	276
Deposits	1,196	1,204	1,462	2,349
Other receivables	108	163	2,947	4,621
Impairment allowance	(51)	(51)	(132)	(169)
Total	4,881	5,875	8,508	20,619

Our prepayments, deposits and other receivables increased from RMB4.9 million as of December 31, 2019 to RMB5.9 million as of December 31, 2020, primarily due to an increase in prepayments to suppliers as our business expanded. Our prepayments, deposits and other receivables increased from RMB5.9 million as of December 31, 2020 to RMB8.5 million as of December 31, 2021, primarily due to an increase in prepayment to suppliers resulting from our business expansion and a substantial increase in other receivables resulting from trade receivables from a disposed subsidiary engaging in sales of medical products in 2021. Our prepayments, deposits and other receivables increased from RMB8.5 million as of December 31, 2021 to RMB20.6 million as of May 31, 2022, primarily due to an increase in prepayments to suppliers resulting from an increase in the capitalized portion of incurred [REDACTED] as well as an increase in deposits as we expanded our business and an increase in other receivables resulting from an increase in interest receivables from our bank deposits offshore.

As of September 30, 2022, RMB8.6 million, or 41.7% of our prepayments, deposits and other receivables outstanding as of May 31, 2022 had been subsequently settled.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss primarily represent the changes in the fair value of wealth management products we purchased. As of December 31, 2019, 2020 and 2021 and May 31, 2022, we recorded financial assets at fair value through profit or loss of RMB30.5 million, nil, nil and nil, respectively. We disposed of all of our wealth management products in 2020.

Cash and Bank Balances

During the Track Record Period, we had cash and bank balances of RMB96.4 million, RMB277.0 million, RMB596.0 million and RMB571.1 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively, primarily driven by cash from our operating activities and cash from series B and series C financing. For a detailed analysis of our cash flow during the Track Record Period, see "— Liquidity and Capital Resources — Cash Flow Analysis."

Property, Plant and Equipment

Our property, plant and equipment consists primarily of buildings, furniture and facilities, and devices and equipment. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Buildings	17,231	16,829	16,427	16,259
Furniture and facilities	74	54	93	88
Devices and equipment	468	1,231	1,500	1,502
Total	17,773	18,114	18,020	17,849

The net book value of our property, plant and equipment amounted to RMB17.8 million, RMB18.1 million, RMB18.0 million and RMB17.8 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. The movement in the net book value of our property, plant and equipment over time was primarily the movement of spending on devices and equipment to support our operation as partially offset by depreciation recorded.

Right-of-use Assets

Our right-of-use assets represent our leased office premises. Our right-of-use assets decreased from RMB14.2 million as of December 31, 2019 to RMB10.0 million as of December 31, 2020, and further to RMB4.6 million as of December 31, 2021 resulting from depreciation charge of RMB6.3 million, RMB7.5 million recorded as of December 31, 2020 and 2021, respectively. Our right-of-use assets increased to RMB14.2 million as of May 31, 2022 resulting from the renewal of a number of leases in 2022.

Deferred Tax Asset

Deferred tax assets arise from deductible temporary differences, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. We recorded deferred tax assets of nil, RMB0.1 million and RMB1.2 million, respectively, as of December 31, 2019, 2020 and 2021. The increase in deferred tax assets was primarily attributable to the fact that the aging of certain contract assets reached two years in 2021 and we recognized the full amount of such contract assets as allowance for expected credit losses on contract assets as a result of our prudent financial policy. The deferred tax assets further increased to RMB1.6 million as of May 31, 2022 as a result of a further increase in impairment of contract assets as we expanded our businesses.

Trade Payables

Our trade payables represent unpaid liabilities for products and services provided to us by our suppliers, which were primarily content development-related costs during the Track Record Period, prior to the end of each period.

Our trade payables amounted to RMB2.3 million, RMB2.4 million, RMB1.6 million and RMB1.7 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. The decrease of trade payables from RMB2.4 million as of December 31, 2020 to RMB1.6 million as of December 31, 2021 was primarily because we did not have a credit term arrangement with certain of our major suppliers in 2021 and such suppliers required us to prepay for services rendered. The trade payables further increased to RMB1.7 million as of May 31, 2022 in line with our business expansion.

The following table sets forth the aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Within 3 months	2,264	2,388	1,587	1,741
	2,264	2,388	1,587	1,741

The following table sets forth our trade payables turnover days for the periods indicated:

	For the year ended December 31,			For the five months ended May 31,
	2019	2020	2021	2022
Trade payables turnover days(1)	6	9	7	5

Note:

(1) Trade payables turnover days are based on the average balance of trade payables divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days. The number of days for the five months ended May 31, 2022 is 150 days.

Our trade payable turnover days increased from six days in 2019 to nine days in 2020 primarily because we were granted favorable credit terms by several suppliers as our business operations expanded. Our trade payable turnover days subsequently decreased to seven days in 2021 and five days for the five months ended May 31, 2022 primarily because some new suppliers did not have credit term arrangements with us and required us to prepay or pay upon demand.

As of September 30, 2022, the full amount of our trade payables outstanding as of May 31, 2022 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals consist primarily of (i) contract liabilities in relation to prepayment from our customers for our solutions offering, (ii) payables for staff-related costs representing salary and benefits payable to our employees, and social insurance and housing provident fund contributions to be made for our employees, (iii) other tax payables, (iv) other payables and (v) deferred income.

The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Contract liabilities	86,927	118,970	124,341	103,615
Payables to employees	11,236	14,825	22,223	14,461
Other tax payable (other than income tax)	7,973	6,981	12,326	8,300
Other payables	372	941	866	16,906
Deferred income (government grants)	560	560	—	—
	107,068	142,277	159,756	143,282

Our other payables and accruals increased from RMB107.1 million as of December 31, 2019 to RMB142.3 million as of December 31, 2020, and further to RMB159.8 million as of December 31, 2021, primarily due to the expansion of our business that led to higher contract liabilities and an increase in employees that led to higher payables to employees. Our other payable and accruals decreased to RMB143.3 million as of May 31, 2022, primarily attributable to the seasonality of contract liabilities as customers would typically prepay for our solutions offerings in the second half of the year as well as a decrease in payables to employees resulting from the bonus payment to employees in 2022 for bonus incurred in 2021. Such a decrease is partially offset by an increase in other payables to RMB16.9 million as of May 31, 2022, primarily attributable to provisions made for [REDACTED].

The following table sets forth a breakdown of contract liabilities by business line as of the dates indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Physician platform solutions	50,318	59,662	67,051	59,561
Precision omni-channel marketing solutions	29,780	49,729	47,974	39,692
RWS solutions	6,829	9,579	9,316	4,362
Total	**86,927**	**118,970**	**124,341**	**103,615**

The contract liabilities increased from RMB86.9 million as of December 31, 2019 to RMB119.0 million as of December 31, 2020 and further to RMB124.3 million as of December 31, 2021 in line with our business expansion. Our contract liabilities subsequently decreased to RMB103.6 million as of May 31, 2022 primarily due to seasonal fluctuations in our operating performance as we typically receive higher payments in the fourth quarter of a year. See "— Major Factors Affecting Our Results of Operations" for more details. The decrease was also attributable to temporary measures implemented in Shanghai in the first half of 2022 due to COVID-19 that affected our ability to receive prepayments from our customers.

As of September 30, 2022, RMB24.1 million, or 23.4% of our contract liabilities as of May 31, 2022 had been subsequently recognized as revenue.

Tax Payable

We recorded tax payable of RMB2.0 million, RMB0.3 million, RMB8.0 million and RMB7.8 million as of December 31, 2019, 2020 and 2021 and May 31, 2022. The tax payables of RMB8.0 million as of December 31, 2021 primarily represents the tax payables of RMB0.3 million as of December 31, 2020, the income tax refund of RMB2.6 million received in 2021 (which we subsequently determined that should be filed and paid to relevant government agencies due to adjustments made pursuant to the adoption of the input method under IFRS), and the current income tax charge of RMB5.1 million, which is after the adjustment made as a result of the implementation of input method when preparing the financial statements during the Track Record Period. We fully settled all of our tax obligations that arose from the adjustment due to the implementation of input method in June 2022 during the 2021 annual Enterprise Income Tax filing. Our PRC Legal Adviser is of the view that the risk of the relevant PRC tax authorities imposing the administrative penalty on us due to the above adjustment is remote, on the basis that (i) we have completed the 2021 annual Enterprise Income Tax filing, including the tax adjustment related matters, in June 2022 and the local tax authority accepted the relevant documents without objection, (ii) we have obtained confirmation letters from the relevant tax authorities in July 2022, confirming that they have not found that our PRC operating entities had any outstanding tax payments or had been imposed any penalty with respect to tax, and (iii) we have not been subject to any penalty or dispute with tax authorities during the Track Record Period.

Lease Liabilities

Our lease liabilities represent the present value of outstanding lease payments under our lease agreements.

The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of May 31,	As of September 30,
	2019	**2020**	**2021**	**2022**	**2022**
					(unaudited)
			(RMB in thousands)		
Current	6,077	6,353	3,404	6,946	6,277
Non-current . . .	7,499	2,910	596	7,689	5,650
	13,576	9,263	4,000	14,635	11,927

The carrying amount of our lease liabilities decreased from RMB13.6 million as of December 31, 2019 to RMB9.3 million as of December 31, 2020, and further to RMB4.0 million as of December 31, 2021, primarily due to payment of our leases during the year. The carrying amount of our lease liabilities increased to RMB14.6 million as of May 31, 2022, primarily due to the renewal of a number of leases in 2022.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from our business operations and shareholder equity contributions. After the [REDACTED], we intend to finance our future capital requirements through cash generated from our business operations, the net [REDACTED] from the [REDACTED], and other future equity or debt financings. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future. We had cash and bank balances of RMB96.4 million, RMB277.0 million, RMB596.0 million and RMB571.1 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively.

Cash Flow Analysis

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

	For the year ended December 31,			For the five months ended May 31,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in thousands)				
Operating cash flows before movement in working capital	24,484	38,741	61,293	9,888	(30)
Changes in working capital	4,261	22,083	(31,399)	(5,742)	(32,582)
Interest received	992	1,469	4,845	886	376
Income tax (paid)/refund	(340)	(6,093)	2,612	—	(1,064)
Net cash generated from (used in) operating activities	29,397	56,200	37,351	5,032	(33,300)
Net cash (used in)/generated from investing activities	(30,181)	31,414	(2,034)	(175)	(290)
Net cash (used in)/generated from financing activities	(6,086)	93,091	285,556	(6,345)	(2,229)
Net (decrease)/increase in cash and cash equivalents	(6,870)	180,705	320,873	(1,488)	(35,819)
Cash and cash equivalents at the beginning of the year/period	103,179	96,393	276,972	276,972	596,002
Effect of foreign exchange rate changes, net	84	(126)	(1,843)	60	10,888
Cash and cash equivalent at end of the year/period	**96,393**	**276,972**	**596,002**	**275,544**	**571,071**

Net Cash Generated from/(Used in) Operating Activities

Net cash used in operating activities for the five months ended May 31, 2022 was RMB33.3 million, which consisted primarily of loss before income tax expenses of RMB97.6 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) fair value losses on convertible redeemable preferred shares of RMB91.4 million, (ii) impairment of contract assets of RMB3.1 million, (iii) depreciation of right-of-use assets of RMB3.1 million and (iv) equity-settled share option expense of RMB2.8 million. The amount was further adjusted by changes in working capital, primarily including (i) a decrease in other payables and accruals of RMB16.5 million, (ii) an increase in contract assets of RMB16.0 million and (iii) an increase in prepayments, deposits and other receivables of RMB9.2 million. Although we recorded net cash outflow from operating activities of RMB33.3 million for the five months ended May 31, 2022, we believe such cash outflow was attributable to cash payment made as a result of [REDACTED] incurred in connection with the [REDACTED] and temporary measures implemented in Shanghai due to COVID-19 that prevented us from timely issuing invoices and settling outstanding contract assets and receiving prepayments from our customers. With the lift of temporary measures in June 2022, we expect our cash generated from operating activities to further improve. Furthermore, we have adopted the following measures to manage our contract assets and trade receivables to improve our financial position: (i) centrally managing all our contracts on the project management system; (ii) commencing projects only after effective and explicit confirmation from our customers; (iii) regularly following up with customers for projects that we consider as bearing a higher risk; (iv) timely sending invoices upon reaching settlement terms or milestones detailed in payment schedules; and (v) designating employees responsible for contract assets and trade receivables management for each project and implementing a bonus mechanism incentivizing such employees to abide by our internal guide on contract assets and trade receivables management.

Net cash generated from operating activities for the year ended December 31, 2021 was RMB37.4 million, which consisted primarily of loss before income tax expenses of RMB147.1 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) fair value losses on convertible redeemable preferred shares of RMB190.6 million, (ii) equity-settled share option expense of RMB8.2 million, (iii) depreciation of right-of-use assets of RMB7.5 million and (iv) impairment of contract assets of RMB5.8 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in contract assets of RMB34.6 million, (ii) an increase in other payables and accruals of RMB20.1 million and (iii) an increase in trade receivables of RMB12.8 million. We recognized an income tax refund of RMB2.6 million in 2021 because we prepaid tax in the amount of RMB2.8 million for the nine months ended September 30, 2020 in 2020 pursuant to local regulations. However, during its review of the tax filing in 2021, the relevant government agencies determined that the amount of tax that should be paid for 2020 was RMB0.1 million after considering the deductions resulting from research and development to which we were entitled. As such, we received an income tax refund of RMB2.6 million representing the difference between the tax prepaid and the tax that we should pay for 2020. We subsequently determined that the income tax refund should be filed and paid to relevant government agencies due to adjustments made pursuant to the adoption of the input method under IFRS.

Net cash generated from operating activities for the year ended December 31, 2020 was RMB56.2 million, which consisted primarily of profit before income tax expenses of RMB33.2 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) depreciation of right-of-use assets of RMB6.3 million, (ii) interest income of RMB1.5 million and (iii) fair value gain of RMB1.0 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in contract assets of RMB10.8 million and (ii) an increase in other payables and accruals of RMB35.2 million.

Net cash generated from operating activities for the year ended December 31, 2019 was RMB29.4 million, which consisted primarily of profit before income tax expenses of RMB18.7 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) depreciation of right-of-use assets of RMB5.7 million, (ii) interest income of RMB1.0 million and (iii) fair value gain of RMB0.5 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in contract assets of RMB8.2 million, (ii) an increase in trade receivables of 10.0 million and (iii) an increase in other payables and accruals of RMB24.7 million.

Net Cash (Used in)/Generated from Investing Activities

Net cash used in investing activities for the five months ended May 31, 2022 was RMB0.3 million, which consisted of payments for purchase of property, plant and equipment of RMB0.3 million.

Net cash used in investing activities for the year ended December 31, 2021 was RMB2.0 million, which consisted primarily of (i) payments for purchase of property, plant and equipment of RMB0.9 million, and (ii) gains on disposal of subsidiaries of RMB1.1 million.

Net cash from investing activities for the year ended December 31, 2020 was RMB31.4 million, which consisted primarily of proceeds from disposal of financial assets of RMB31.5 million, due to the disposal of our wealth management products, partially offset by payments for purchase of property, plant and equipment of RMB1.1 million.

Net cash used in investing activities for the year ended December 31, 2019 was RMB30.2 million, which consisted primarily of (i) purchase of financial assets at fair value through profit and loss of RMB30.0 million, mainly representing purchase of wealth management products, and (ii) purchase of property, plant and equipment of RMB0.2 million.

Net Cash (Used in)/Generated from Financing Activities

Net cash used in financing activities for the five months ended May 31, 2022 was RMB2.2 million, primarily attributable to lease payment of RMB2.3 million and partially offset by capital contribution of RMB0.1 million.

Net cash from financing activities for the year ended December 31, 2021 was RMB285.6 million, primarily attributable to issue of convertible redeemable preferred shares of RMB297.1 million and partially offset by (i) lease payment of RMB7.7 million, and (ii) capital withdrawn of RMB3.9 million.

Net cash from financing activities for the year ended December 31, 2020 was RMB93.1 million, primarily attributable to capital injection of RMB100.0 million in series B financing and partially offset by lease payment of RMB6.9 million.

Net cash used in financing activities for the year ended December 31, 2019 was RMB6.1 million, which consisted of lease payment of RMB6.1 million.

INDEBTEDNESS

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

	As of December 31,			As of May 31,	As of September 30,
	2019	2020	2021	2022	2022
					(unaudited)
	(RMB in thousands)				
Banking borrowings or other interest-bearing borrowings	—	—	—	—	—
Lease liabilities	13,576	9,263	4,000	14,635	11,927
Convertible redeemable preferred shares	—	—	603,067	719,052	714,963
Contingent liabilities	—	—	—	—	—

Banking Facilities

As of the Latest Practicable Date, we did not have any banking borrowings or other interest-bearing borrowings.

Lease Liabilities

For details of our lease liabilities, see "— Discussion of Certain Key Balance Sheet Items — Lease Liabilities."

Preferred Shares

Our Company has historically issued several series of convertible preferred shares to investors. Upon the completion of the [REDACTED] and the [REDACTED], all of such convertible preferred shares will be automatically converted into ordinary shares.

The redemption of the preferred shares, if triggered, could have a negative impact on our cash and liquidity position and financial condition. See "Risk Factors — Fair value losses in convertible redeemable preferred shares issued to [REDACTED] investors and related valuation uncertainty may materially affect our financial condition and results of operations."

Contingent Liabilities

During the Track Record Period and up to the Latest Practicable Date, we did not have any material contingent liabilities.

During the Track Record Period and as of September 30, 2022, being the latest practicable date for our indebtedness statement, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there is no material change in our indebtedness since September 30, 2022 and up to the Latest Practicable Date.

Furthermore, none of our guarantee, indebtedness or other contingent liabilities include any material covenant or undertaking that inhibits us from undertaking additional debt or equity financing.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the periods indicated:

	For the year ended/As of December 31,			For the five months ended/ As of May 31,
	2019	**2020**	**2021**	**2022**
Revenue growth	—	30.5%	37.9%	33.4%
Gross profit margin	58.0%	54.2%	63.8%	61.6%
Net profit margin(1)	10.3%	13.4%	(50.7%)	(81.4%)
Current ratio(2)	137.1%	213.3%	396.7%	423.6%
Quick ratio(3)	137.1%	213.3%	396.7%	423.6%

Notes:

(1) Net profit margin is negative in 2021 and for the five months ended May 31, 2022 primarily attributable to fair value losses on convertible redeemable preferred shares of RMB190.6 million in 2021 and RMB91.4 million for the five months ended May 31, 2022.

(2) Current ratio is calculated by dividing current assets by current liabilities.

(3) Quick ratio is calculated by dividing current assets less inventories by current liabilities.

Our current ratio and quick ratio increased during the Track Record Period, primarily attributable to an increase in cash and bank balances. See "— Discussion of Certain Key Balance Sheet Items" for more details.

CAPITAL EXPENDITURES

Our historical capital expenditures primarily included purchase of property and equipment. The following table sets forth our capital expenditures for the periods indicated:

	For the year ended December 31,			For the five months ended May 31,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in thousands)				
Payments for property, plant and equipment	181	1,111	889	175	290

Our capital expenditure relating to property, plant and equipment primarily represented computers and other office appliances we procured during the Track Record Period.

CONTRACTUAL OBLIGATIONS

Capital Commitment

We did not have any significant capital commitments as of December 31, 2019, 2020 and 2021 and May 31, 2022.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. We recorded due from related parties of RMB1.3 million, RMB0.3 million, RMB0.3 million and RMB0.3 million in 2019, 2020 and 2021 and for the five months ended May 31, 2022, respectively. Such dues primarily included a loan to one of our senior management members in the amount of RMB1.3 million, which was fully repaid in 2020. The RMB0.3 million due from related parties in 2020 and 2021 and for the five months ended May 31, 2022 was non-trade in nature and represented loans to Shanghai Meiyue, one of our former employee equity incentive platforms. Such an amount will be settled prior to the [REDACTED]. Our Directors are of the view that each of the related party transactions set out in Note 29 to the Accountants' Report included in Appendix I to this Document was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become nonreflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as Shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

FINANCIAL RISKS DISCLOSURE

Our activities expose us to a variety of financial risks: credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Risk management is carried out under policies approved by our Board. The management identifies and evaluates financial risks in close cooperation with our operating units.

Credit Risk

We are exposed to credit risk primarily in relation to our trade receivables and contract assets. The carrying amounts of each class of financial assets represent our maximum exposure to credit risk in relation to such financial assets. We do not provide any guarantees which would expose us to credit risk.

We have policies in place to ensure that trade receivables with credit terms are made to counterparties with an appropriate credit history and our management performs ongoing credit evaluations of the counterparties. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The main exposure to credit risk at each of the reporting dates is the carrying value of our trade receivables.

The movements of expected credit losses are presented in Note 32(b) to the Accountants' Report included in Appendix I to this Document.

Liquidity Risk

We aim to maintain sufficient cash and bank balances. As of December 31, 2019, 2020 and 2021 and May 31, 2022, our net current assets amounted to RMB43.5 million, RMB171.4 million, RMB512.6 million and RMB517.0 million, respectively. In the management of liquidity risk, we regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. Historically, we have relied principally on both operational sources of cash and non-operational sources of equity financing to fund our operations and business development. The following table sets forth our financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows of the financial liabilities.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
			(RMB in thousands)		
As of December 31, 2019					
Trade payables	2,264	—	—	—	2,264
Financial liabilities included in other payables and accruals	372	—	—	—	372
Lease liabilities	—	1,133	5,334	7,765	14,232
	2,636	1,133	5,334	7,765	16,868
As of December 31, 2020					
Trade payables	2,388	—	—	—	2,388
Financial liabilities included in other payables and accruals	941	—	—	—	941
Lease liabilities	—	1,234	5,354	3,010	9,598
	3,329	1,234	5,354	3,010	12,927
As of December 31, 2021					
Trade payables	1,587	—	—	—	1,587
Financial liabilities included in other payables and accruals	866	—	—	—	866
Convertible redeemable preferred shares	—	—	—	621,530	621,530
Lease liabilities	—	1,604	1,863	604	4,071
	2,453	1,604	1,863	622,134	628,054
As of May 31, 2022					
Trade payables	1,741	—	—	—	1,741
Financial liabilities included in other payables and accruals	16,906	—	—	—	16,906
Convertible redeemable preferred shares	—	—	—	640,505	640,505
Lease liabilities	—	3,053	4,754	7,854	15,661
	18,647	3,053	4,754	648,359	674,813

Our management believes that adequate sources of liquidity exist to fund our working capital and future capital expenditures requirements, and other liabilities and commitments as they become due.

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from currencies other than the units' functional currencies. For the sensitivity analysis, see Note 32(a) to the Accountants' Report set forth in Appendix I to this Document.

Fair Value Measurement

Fair values are categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair Value Measurement*. All assets and liabilities for which fair value is measured or disclosed 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: Fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measured based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; and
- Level 3: Fair value measured based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

We measure our wealth management products and convertible redeemable preferred shares at fair value at the end of each of the Track Record Period.

We have estimated the fair value of wealth management products purchased by us by using a discounted cash flow valuation model based on the expected interest rate per annum of instruments with similar terms and risks. The fair value of wealth management products is determined using a valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy.

The fair values of convertible redeemable preferred shares are determined by using the valuation techniques, including the discounted cash flow method and the option-pricing method. Such valuation is based on key parameters about discounts for lack of marketability and volatility, which are subject to uncertainty and might materially differ from the actual results. For details, see Note 3 to the Accountants' Report set forth in Appendix I to this Document.

We have implemented internal policies to ensure the reasonableness of fair value measurement on the level 3 financial assets. Our Directors are aware of the "Guidance note on directors' duties in the context of valuations in corporate transactions" issued by the SFC on May 15, 2017. In this regard, our Directors confirmed that (i) they had exercised due care, skill and diligence and supervised their responsible employees when making the investment decisions; and (ii) they had complied with the standard exercised by a reasonably diligent person with the knowledge, skill and experience that may be reasonably expected of a director carrying out the functions of the directors in relation to the company. Moreover, our Directors have adopted the following internal policies and procedures in relation to the reasonableness of fair value measurement on our wealth management products and valuation of convertible redeemable preferred shares:

- Designating a finance team to be responsible for determining the policies and procedures for the fair value measurement of financial instruments;
- Requiring our finance team to analyze the movements in the values of financial instruments and determine the major inputs applied in the valuation;
- Requiring our finance team to report directly to our Directors regularly on the fair value measurement of financial instruments;
- Reviewing the relevant contract terms of the investment agreements entered into;
- Engaging an independent qualified professional valuer;
- Providing necessary financial and non-financial information to the valuer so as to enable them to perform their valuation procedures;
- Considering all inputs to the valuation, including among others, the possibilities under different scenarios and the expected event dates, which require management judgments and estimations; and
- Reviewing the valuation working papers and results prepared by the valuer, discussing with the valuer on relevant assumptions and bases where necessary

Based on the above, our Directors are of the view that the fair value measurement of our financial instruments is fair and reasonable.

Details of the fair value measurement of financial instruments, particularly the fair value hierarchy, the valuation techniques, significant unobservable input and sensitivity of fair value to the input are disclosed in Note 2.4, Note 3 and Note 31 to the Accountants' Report set forth in Appendix I to this Document which was 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. The Reporting Accountants' opinion on the historical financial information, as a whole, of us for the Track Record Period is set out on page I-2 in Appendix I to this Document. Our Directors are satisfied with the valuation work for financial instruments categorized within Level 3 of fair value measurement in our historical financial information for the purpose of the preparation of the Accountants' Report as referred to in Appendix I to this Document.

The Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) reviewed relevant disclosures and notes in the Accountants' Report as contained in Appendix I; (ii) obtained and reviewed the terms of the relevant agreements and documents regarding the financial instruments; (iii) obtained and reviewed relevant valuation report with respect to the convertible redeemable preferred shares; and (iv) understood from the Company, the Reporting Accountants and the valuer (in the case of convertible redeemable preferred shares) about the key bases, assumptions and methodologies for the valuation of the financial instruments. Having considered the work done by the Directors and Reporting Accountants and the relevant due diligence done as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation analysis performed by the valuers on the financial assets and liabilities.

DIVIDENDS

As advised by our Cayman Islands legal adviser, under Cayman Islands law, a position of accumulated losses does not necessarily restrict our Company from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this appears to the Board to be justified by the financial conditions and the profits of the Company and would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be paid.

As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board. Throughout the Track Record Period, we did not pay or declare any dividend. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the estimated net [REDACTED] from the [REDACTED], the expected cash generated from operating activities and other future equity or debt financing opportunities, we have sufficient working capital for our present requirements and for the next 12 months from the date of this Document.

Our net cash generated from operating activities was RMB29.4 million, RMB56.2 million and RMB37.4 million, respectively, in 2019, 2020 and 2021, and our net cash used in operating activities was RMB33.3 million for the five months ended May 31, 2022. Our Directors confirm that we had no material defaults in payment of trade payables during the Track Record Period.

DISTRIBUTABLE RESERVES

As of May 31, 2022, the Company did not have any distributable reserves.

[REDACTED]

Our [REDACTED] mainly include [REDACTED] fees and commissions and professional fees paid to legal, accounting and other advisors for their services rendered in relation to the [REDACTED] and the [REDACTED]. Assuming full payment of the discretionary incentive fee, the estimated total [REDACTED] (based on the midpoint of the [REDACTED] Range and assuming that the [REDACTED] is not exercised and all discretionary incentive fees in the [REDACTED] are paid in full) for the [REDACTED] are approximately HK$[REDACTED] (including (i) [REDACTED] commission of approximately HK$[REDACTED], and (ii) non-[REDACTED] related expenses of approximately HK$[REDACTED], which consist of fees and expenses of legal advisers and Reporting Accountants and Auditors of approximately HK$[REDACTED] and other fees and expenses of approximately HK$[REDACTED]), accounting for approximately of [REDACTED] of our gross [REDACTED]. An estimated amount of HK$[REDACTED] for our [REDACTED], accounting for approximately [REDACTED] of our gross [REDACTED], is expected to be expensed through the statement of profit or loss, and the remaining amount of HK$[REDACTED] is expected to be recognized directly as a deduction from equity upon the [REDACTED]. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the year ending December 31, 2022.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this Document, there has been no material adverse change in our financial or trading position or prospects since May 31, 2022, the end date of our latest audited financial statements, and there has been no event since May 31, 2022 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

[REDACTED]

[REDACTED]

[REDACTED]