SUMMARY

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

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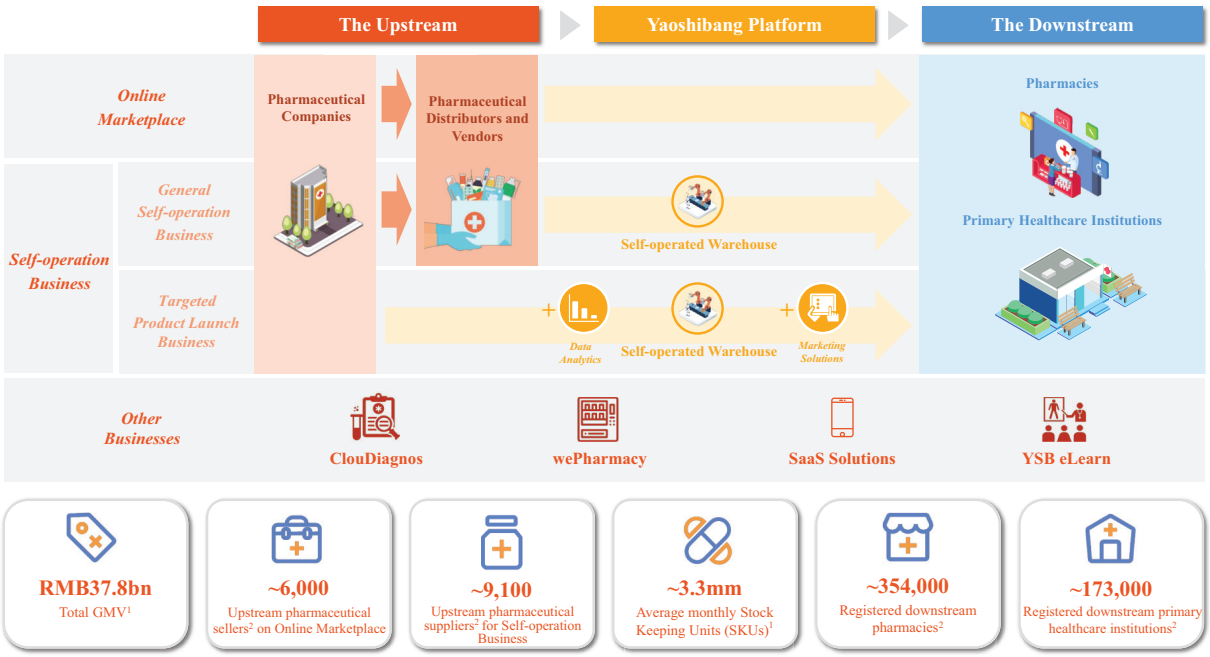
OUR BUSINESS

We are a digital pharmaceutical platform serving businesses outside of hospitals in China. Digital market as an emerging trend contributed to 28.2% of the RMB639.7 billion outside-of-hospital pharmaceutical circulation market in China, in terms of gross merchandise value ("GMV") in 2022. We recorded a GMV of RMB37.8 billion in 2022, representing a market share of 21.0% in China's digital market of outside-of-hospital pharmaceutical circulation services. As an enabler of the digitalisation of the outside-of-hospital pharmaceutical and medical service market, we have developed technology-backed solutions to connect and empower the upstream, including pharmaceutical companies, distributors and vendors, and the downstream, including pharmacies and primary healthcare institutions. Primary healthcare institutions refer to downstream pharmaceutical retailer that is not a hospital or a pharmacy, including, but not limited to, a private clinic, township health centre, village clinic, and community medical institution. We have turned the process of pharmaceutical transaction and service into a digitalised, standardised and scalable one. Since our inception, we have been committed to addressing the challenges faced by the players in the outside-of-hospital pharmaceutical market, and have cultivated capabilities and accumulated invaluable experience from the primary healthcare level. Seizing on the opportunities in this market, we have built an ecosystem, where we enable the various players along the pharmaceutical value chain to gather and interact. We create values for these players and the whole society. Although we face intense competition from other B2B pharmaceutical sales platforms and traditional pharmaceutical distributors, we strive to establish a safe and efficient transaction and service platform for businesses along the pharmaceutical value chain.

Leveraging our technological capabilities, we have created and keep enhancing a business model to meet the growing demand for the digitalisation of the outside-of-hospital pharmaceutical market. Our business model is centred on our Online Marketplace and Self-operation Business, and is further complemented by a series of other businesses. Our total GMV reached RMB37.8 billion in 2022, representing a CAGR of 38.6% from that in 2020, both the highest among leading digital pharmaceutical platforms serving businesses outside of hospitals in China, and a market share of 21.0% in 2022. We serve the largest digital pharmaceutical transaction and service network, including, among others, around 354,000 downstream pharmacies and around 173,000 primary healthcare institutions, as of 31 December 2022. Furthermore, we had 308,000 average number of monthly active buyers ("MAB") in 2022, the highest among digital pharmaceutical platforms serving businesses outside of hospitals in China. The average number of monthly available stock keeping units ("SKUs") transacted on our platform was around 3.3 million in 2022, the highest among digital pharmaceutical platforms serving businesses outside of hospitals in China. Our aforesaid industry positioning is supported by analyses performed by Frost & Sullivan.



Notes: (1) For the year ended 31 December 2022; (2) As of 31 December 2022

Online Marketplace. We started with a mobile internet-based Online Marketplace in 2015 to address the supply and demand mismatch in China's outside-of-hospital pharmaceutical market. We created a digital marketplace for registered pharmaceutical sellers and buyers to transact with each other. We charge sellers a commission, which is based on a certain percentage of their sales on our Online Marketplace. The average Online Marketplace commission rate we charged, which equals to commissions we received from third-party sellers divided by the corresponding GMV, was 2.8%, 2.9% and 3.1% in 2020, 2021 and 2022, respectively. The average number of monthly available SKUs was around 3.3 million in 2022, respectively. The vast selection of SKUs and the quality of the products have made our Online Marketplace a reliable platform for pharmaceutical transactions.

Our Online Marketplace helps simplify the multi-layer structure in China's outside-of-hospital pharmaceutical market and streamline the pharmaceutical transaction process, as digitalisation makes the steps along the transaction process, such as certificate exchange, product selection and financial reconciliation, easier to be accomplished as compared with traditional offline transactions. For example, our digital platform enables our buyers to easily find the products to purchase by using the search and filter functions, and our platform generates algorithm-based feedback for our sellers to identify popular products. Transaction records are accessible from each user's terminal so that our buyers and sellers can easily track and link their financial records. Our Online Marketplace addresses the multi-layer problem in the outside-of-hospital pharmaceutical market by providing a well-connected platform where buyers can directly and freely select and order products from sellers, and therefore helps reduce transaction costs and improve the overall efficiency of transactions. As of 31 December 2022, we had attracted around 6,000 pharmaceutical sellers and around 527,000 buyers to transact on our Online Marketplace. The GMV of our Online Marketplace of third-party merchants was RMB22.6 billion in 2022, representing approximately 59.8% of the total GMV, and growing at a CAGR of 28.8% from that in 2020.

Self-operation Business. As an ever-increasing number of upstream and downstream participants are attracted to our platform, we started the Self-operation Business in 2019 to provide better fulfilment and services to our buyers. We generate revenue from sales of products. In 2022, we

procured and sold around 278,000 SKUs every month on average, to downstream pharmacies and primary healthcare institutions. These SKUs are carefully selected based on our analyses of buyers' transaction preferences and history, after obtaining the consent of relevant parties based on the privacy policy of our platform. To facilitate high-quality service and fast and reliable delivery, we have developed a proprietary fulfilment system, integrating procurement, warehousing, delivery and working capital management into a centrally managed digitalised process. Centralised and digitalised management has enabled us to effectively control inventory turnover days at 26.5 days in 2022, better than the industry average level in the pharmaceutical circulation industry. We strategically designed mapping strategy for our own warehousing networking and had built 20 smart warehouses in 19 cities as of 31 December 2022. In our smart warehouses, we ensure that an order is processed and completed for delivery in, on average, 2.85 hours in our warehouses in 2022. In 2022, we have also significantly reduced delivery time, especially for inter-province delivery, to 41 hours for cities and 51 hours for towns, outperforming the industry average by approximately 20%. The GMV of our Self-operation Business was RMB15.2 billion in 2022, representing approximately 40.2% of the total GMV, and growing at a CAGR of 58.5% from that in 2020.

Targeted Product Launch Business. We started the Targeted Product Launch Business as part of our Self-operation Business in 2020. We procure from pharmaceutical companies and their selected master vendors and sell to our buyers and generate revenue from sales of pharmaceutical products procured. To better leverage our deep industry know-how, we conduct market analyses to help pharmaceutical companies better comprehend and capture downstream demand, identify products to be tailored for such demand, and collaborate with pharmaceutical companies to promote their products through our digital marketing solutions. Through Targeted Product Launch Business, on the one hand, we bring to pharmaceutical companies incremental demand and the insights we have gained from a large number of transactions on our platform, and on the other hand, we address the needs of our buyers and help them secure cost-effective deals. We maintain a healthy relationship with pharmaceutical companies and are able to procure directly from them and their selected master vendors at competitive prices. As of 31 December 2022, we were in collaboration with more than 500 pharmaceutical companies to launch the promotion of around 1,100 SKUs. The GMV of our Targeted Product Launch Business reached RMB1,009 million in 2022, representing a CAGR of 72.8% from that in 2020 and contributed to 6.6% of the GMV of our Self-operation Business in 2022. The key differences between our Targeted Product Launch Business and our General Self-operation Business include that, for upstream participants, suppliers of our Targeted Product Launch Business include pharmaceutical companies. In terms of product selection, we tend to focus on new products and existing products with certain characteristics, such as pharmaceuticals of high demand but limited brand awareness, pharmaceuticals that are sold well in hospitals but not adequately promoted in pharmacies outside of hospitals, and pharmaceuticals that are well promoted and therefore better known in one geographic region but are less known in another. We have a specific department designated for selecting products, managing product performance and reviewing the gross profit margin of our Targeted Product Launch Business. Products are assigned with a label on our YSB App indicating to our buyers that these are transacted in our Targeted Product Launch Business. Moreover, we provide digital marketing solutions to help our suppliers promote their products, so that they are willing to offer products at reduced procurement prices in return for the digital marketing solutions we provide to them, so that we tend to enjoy higher gross profit margin.

Other businesses. We developed a series of businesses, to help improve the operating efficiency of the upstream and the downstream, and to empower pharmacies and primary healthcare

institutions with market insights and professional knowledge to enhance their service capability and quality. We are therefore able to maintain a healthy, active and self-reinforcing ecosystem.

- *ClouDiagnos*. We partner with primary healthcare institutions, place testing equipment at selected primary healthcare institutions, perform the testing and generate testing results. Our ClouDiagnos services provide strong support to medical professionals at primary healthcare institutions for them to make more informed medical recommendations, and improve the diagnostic quality at the primary healthcare level. We collect diagnostic testing service fees from our services.

- *wePharmacy*. wePharmacy is a 24-hour access smart unmanned pharmaceutical booth that connects our wePharmacy buyers and the end customers with pharmacist services. With the help of wePharmacy, both prescription and over-the-counter ("OTC") pharmaceuticals can be offered to the end customers. By design, each wePharmacy booth can hold over 2,000 SKUs. wePharmacy not only can help pharmacies extend the operating hours during night time, but can also enhance their operating efficiency by improving sales per square metre or sales per employee. We collect revenue from sales of products, i.e., the wePharmacy booths, and service fees. We also charge annual service fees for system upgrade, repairs and maintenance of wePharmacy booths.

- *SaaS solutions*. As of 31 December 2022, our SaaS solution ePalm had provided inventory management and sales management services to around 40,000 pharmacies, and our SaaS solution CloudComm had provided sales management, analyses and forecast services to over 5,200 pharmaceutical sellers. We offer digital solutions to help our sellers and buyers manage their operations and sales. We charge a one-time installation fee and annual subscription fee for our SaaS solutions.

- *YSB eLearn*. We provide online courses for the preparation of the pharmacist qualification examinations. Since our inception in 2015 and up until 31 December 2022, we provided online training courses to, cumulatively, around 220,000 pharmacists and prospective pharmacists. Most of our courses in YSB eLearn are offered for free.

OUR STRENGTHS

We believe the following strengths have contributed to our success:

- China's largest and fast-growing digital pharmaceutical platform serving businesses outside of hospitals, benefiting from strong network effects;

- synergetic integration of and dynamic balance between Online Marketplace and Self-operation Business, driving continuous growth of business innovations;

- technologies and digital solutions empowering the participants along the value chain;

- smart supply chain management enhancing user experience and operating efficiency;

- rooted in massive outside-of-hospital pharmaceutical circulation industry with tailored digitally supported business development strategies; and

- visionary management team with internet technology and healthcare service experiences.

OUR STRATEGIES

We plan to achieve our vision, and ultimately our mission, through the following key strategies:

- systematically growing the scale, comprehensiveness and depth of our pharmaceutical circulation business;
- enhance our technology capabilities and digital solutions and continue to innovate;
- growing our other businesses online and offline and improve service quality; and
- pursuing strategic partnerships, investments and acquisitions.

KEY OPERATING DATA

The following table sets forth our key operating metrics during the Track Record Period.

	For the Year Ended December 31 / As of December 31		
	2020	2021	2022
GMV (RMB million)			
GMV from Online Marketplace	13,638	17,040	22,632
GMV from Self-operation Business	6,053	10,473	15,201
GMV from General Self-operation Business	5,715	9,586	14,192
GMV from Targeted Product Launch Business	338	887	1,009
Total GMV	**19,691**	**27,513**	**37,833**
Average Number of Monthly Available SKU (million)[1]	1.5	2.4	3.3
Registered Number of Buyers (thousand)	332	434	527
Average Number of MAB (thousand)	202	256	308
Average Number of MPB (thousand)	161	223	283
Paying Ratio	*80%*	*87%*	*92%*
Average Number of Orders per Paying Buyer per Month[2]	12.6	21.7	27.3

Notes:

(1) Average number of monthly available SKU refers to the average of the number of SKUs that are available at the end of a given month during a given period, without eliminating duplication.

(2) Average number of orders per paying buyer per month refers to number of monthly average orders divided by average number of MPB in a given period.

See "Business—Our business model and evolution" for further details.

COMPETITIVE LANDSCAPE

The market size of China's digital market of outside-of-hospital pharmaceutical circulation services in terms of GMV was RMB180.2 billion in 2022, representing about 28.2% of the overall outside-of-hospital pharmaceutical circulation market. Digitalised pharmaceutical circulation can be divided into two business models, namely marketplace model and self-operation model. Under marketplace model, a platform acts as a marketplace to bridge upstream pharmaceutical sellers and downstream pharmaceutical buyers and facilitate pharmaceutical transactions online. Under self-operation model, a player develops and operates a self-owned supply chain, directly supplying pharmaceuticals to outside-of-hospital terminals in the form of digital commerce transactions on a platform.

Putting various factors into consideration, such as, the business resources, network and experiences accumulated, the players in the China's digital market of outside-of-hospital pharmaceutical circulation services may choose to focus on marketplace model, self-operation model,

or a combined mixed model of both. While the players may focus on one model at the beginning, most of them have accumulated enough resources and experiences after years of business operations, and they have extended or possessed the capability to extend their business to cover the other model. The coexistence and interaction between marketplace model and self-operation model is commonly seen among the players in the China's digital market of outside-of-hospital pharmaceutical circulation services.

The following table presents the major players in China's digital market of outside-of-hospital pharmaceutical circulation services:

Company	GMV (RMB million for the twelve months in 2022)	Market Share (Calculated based on GMV)	Market Ranking (Calculated based on GMV)	MAB (Monthly average for the twelve months in 2022)	Market Ranking (Calculated based on MAB)	Percentage of GMV in 2022 from marketplace model	Percentage of GMV in 2022 from self-operation model
YSB Inc.	37,833	21.0%	1	308,000	1	59.8%	40.2%
Competitor A	23,000	12.8%	2	120,000	4	99.0%	1.0%
Competitor B	20,000	11.1%	3	230,000	2	100%	0
Competitor C	17,969	10.0%	4	175,000	3	25.4%	74.6%
Competitor D	17,101	9.5%	5	110,000	5	<5%	>95%

Source: Frost & Sullivan

We are the largest digital pharmaceutical platform serving businesses outside of hospitals in China in terms of total GMV (marketplace model and self-operation model combined) in 2022. Our MAB ranked the highest among these major players in China's digital market of outside-of-hospital pharmaceutical circulation services.

We ranked in second place in terms of GMV from marketplace model among these major players in China's digital market of outside-of-hospital pharmaceutical circulation services. The average number of monthly available SKUs transacted on our platform in 2022 was the highest among digital pharmaceutical platforms serving businesses outside of hospitals in China.

We ranked in second place in terms of GMV from self-operation model among these major players in China's digital market of outside-of-hospital pharmaceutical circulation services. In 2022, we were able to ensure that, on average, an order was processed and completed for delivery much faster than the industry average level. We maintained inventory turnover days at a level better than the industry average level in the pharmaceutical circulation industry, in 2022. Our inter-province delivery time for cities and for towns in 2022 is also much lower than the industry average level.

The aforementioned industry information is supported by analyses performed by Frost & Sullivan. See "Industry Overview—Overview of China's digital market of outside-of-hospital pharmaceutical circulation services" and "—Competitive landscape and entry barriers of China's digital market of outside-of-hospital pharmaceutical circulation services" for further details.

OUR FINANCIAL PERFORMANCE

We have a track record of business growth. Our total revenues grew at 66.4% from RMB6.1 billion in 2020 to RMB10.1 billion in 2021, and further by 41.4% from RMB10.1 billion in 2021 to RMB14.3 billion in 2022. The gross profit margin is 10.0% in 2020, 9.1% in 2021 and 10.1% in 2022. We recorded a loss of RMB571.7 million in 2020, RMB501.6 million in 2021 and RMB1,500.0 million in 2022. The loss recorded in 2020, 2021 and 2022 was primarily attributable to costs and

expenses associated with the expansion of our fast-growing Self-operation Business, the development of our other businesses and fair value changes of financial liabilities at fair value through profit and loss in connection with our preferred shares. See "—Summary of Historical Financial Information—Summary of consolidated statements of profit or loss and other comprehensive income" for more information on our financial performance.

BUSINESS SUSTAINABILITY

During the Track Record Period, the Company was loss-making and expects to incur net losses and net operating cash outflow in the foreseeable future. It is primarily attributable to selling and marketing activities for business expansion and investment in our other businesses. Our Directors are of the opinion that our business is sustainable because expansion of our business will help us achieve economies of scale and our adjusted net loss margin, a non-IFRS measure, has been improving during the Track Record Period.

We experienced strong business growth and financial performance improvement during the Track Record Period. Based on our capabilities to fulfil the demand from participants in the outside-of-hospital pharmaceutical circulation market and the growth momentums we have achieved, our Directors believe that we are able to maintain sustainability and growth of our business. Despite the net losses, cash outflow from operating activities, net liabilities and net current liabilities we recorded during the Track Record Period, we were able to maintain sufficient working capital, taking into account of the facts that: (i) our business growth and economies of scale achieved have led to narrowing adjusted net loss margin, a non-IFRS measure; (ii) both our net current liabilities and net liabilities situations were significantly affected by financial liabilities at fair value through profit and loss, which was not directly related to our operations or did not create any immediate contingency impact on our liquidity status; and (iii) the strong liquidity and capital resources we maintained during the Track Record Period. As of 31 December 2022, our total liquidity resources, including the bank balances and cash, time deposits, restricted bank deposits, and financial assets at fair value through profit and loss, amounted to RMB2.2 billion. Taking into account the above, as well as based on the review of the Accountants' Report, the due diligence conducted on the Group and the discussion with the Directors, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to disagree with the Directors' view.

Going forward, we plan to achieve profitability primarily by further: (i) expanding our buyer base and improving buyer engagement; (ii) growing the revenue of both pharmaceutical circulation business and other businesses; (iii) optimising our overall cost and expense structure and improving our operating margin; (iv) improving our working capital management; and (v) leveraging our competitive strengths and advantages. These will allow us to increase our revenue and manage our cost and expenses to reach profitability and realise positive operating cash flows.

Expanding our buyer base and improving buyer engagement

We expect to further expand our buyer base and improve buyer engagement through the following initiatives:

- We plan to further expand our coverage and penetration in pharmacies and primary healthcare institutions. We plan to further recruit more seasoned BD personnel, improve the professional knowledge of existing BD teams, and strategically enhance our BD efforts in the space of large chain pharmacies and at the primary level. We also plan to leverage

our digitalised tools, such as BDPartner, to support our BD teams to improve their service quality and efficiency. For chain pharmacies, while they tend to directly cooperate with their designated upstream suppliers to secure stable supply of regular SKUs, they also have scattered demand on most other SKUs and they do not necessarily have access to certain SKUs in their own regions. Chain pharmacies may find it inefficient and therefore they are less motivated to negotiate with massive upstream suppliers one by one to procure these SKUs. The broad and diversified SKUs offered on our platform, however, can meet such demand of chain pharmacies in a cost-effective way, supplement their procurement channels and enable them to improve their profitability. Additionally, chain pharmacies may not always be able to successfully negotiate a favourable procurement price with pharmaceutical companies. Moreover, we are willing to offer products in small ticket size so that pharmacies tend to have more flexibility in determining their SKU selection and inventory level.

- We plan to continue to enlarge and diversify our SKU pool. We plan to attract and retain more high quality pharmaceutical sellers on our Online Marketplace and incentivise them to transact through our platform. We also plan to cooperate with more pharmaceutical suppliers, especially with well-known pharmaceutical companies directly, to procure more high-quality products for our Self-operation Business. We have accumulated experience from years of cooperation with pharmaceutical companies. We were in collaboration with more than 500 pharmaceutical companies under our Targeted Product Launch Business and equipped them with unique and valuable insights about market demand. Please refer to "Business—Our Self-operation Business—Targeted Product Launch Business" for an example on how we have demonstrated the success of our Targeted Product Launch Business. We have established collaborating relationships with Top 100 pharmaceutical companies and plan to build long-term relationships with more Top 100 pharmaceutical companies in the future and we expect to cooperate with 100 more pharmaceutical companies in 2023 so that more SKUs will be promoted. We also plan to deepen our cooperation with our existing pharmaceutical company partners to promote a more diversified pool of SKUs. In addition, we plan to expand our product offerings from pharmaceuticals to broader healthcare products, such as medical devices and Chinese medicines.
- We plan to improve the supply and fulfilment of our self-operated orders. We plan to continue to expand the network of our self-operated warehouses to extend our reach to our downstream market. We also plan to further upgrade and digitalise our supply chain management systems to optimise the delivery plan, shorten the delivery time and control the delivery costs, thus improve the experience of our buyers. Improved buyer experience will help retain more buyers and therefore improve buyer engagement of our platform.
- We plan to enhance our buyer engagement and foster brand loyalty. We plan to promote our other businesses. We also plan to launch more marketing initiatives, such as livestreaming and group buy, to further incentivise buyers to transact on our platform.

The above initiatives are expected to help us scale up with more diversified product offerings and improved user experience. We expect to benefit increasingly from the network effect of our extensive user base, and in the meantime, attract more registered users derived from organic traffic such as word-of-mouth recommendations and brand recognition. As such, our paying buyer base is expected to expand, as well as the purchase frequency of our buyers is expected to increase, thus

leading to the growing GMV on our platform. Moreover, we expect our growth to benefit the participants in our ecosystem. On the one hand, since our buyers can access the broad and diversified SKU offerings on our platform, they can then provide diversified products to end customers and enhance their revenue sources and business performance. On the other hand, since we can attract more buyers to our ecosystem, we potentially also bring them to our upstream sellers, who will then be able to improve their sales.

Growing the revenue of both pharmaceutical circulation business and other businesses

With the growing GMV of our platform as a foundation, we expect to further grow our revenue of pharmaceutical circulation business through the following initiatives.

- We expect to attain stronger bargaining power and set more favourable commission rate as our business continues to scale up. We also plan to further diversify and optimise the product portfolio on our marketplace, so that we can improve our overall commission level and generate more revenue from our Online Marketplace.
- We plan to further grow our Targeted Product Launch Business by broadening and deepening the cooperation with well-known pharmaceutical companies, diversifying the SKU pool of Targeted Product Launch Business, and upgrading and customising the digital marketing services to support relevant SKUs.

We plan to further develop our other businesses and enhance monetisation abilities.

- We plan to further grow our other businesses which benefits our ecosystem participants by improving their service capabilities and quality. Our other businesses also have strong synergy with our pharmaceutical circulation business. On the one hand, we can leverage the large and stable user base of pharmaceutical business to promote our other businesses with lower costs. On the other hand, our other businesses enable our ecosystem participants to expand their revenue sources and improve their own business performance.
- We plan to make ClouDiagnos a one-stop solution. Our pharmaceutical circulation business and diagnostic testing services together will create a self-reinforcing virtuous circle to fully serve the needs of pharmacies, primary healthcare institutions and their end customers. Our ClouDiagnos helps primary healthcare institutions expand their service offerings to end customers, increasing the satisfaction level of end customers and in turn helping primary healthcare institutions better retain and expand their end customer pool. These benefits incentivise primary healthcare institutions to make their pharmaceuticals purchases through our platform, creating a virtuous circle that help us enhance brand awareness and increase transaction volume.
- We plan to further promote our wePharmacy through the collaboration with more pharmacies and thus expand the availability of and the channel to access pharmaceuticals, providing 24-hour access to smart pharmaceutical services to the end customers. Equipped with the ability to provide flexible access to pharmaceuticals to end customers, pharmacies using wePharmacy will be able to better serve end customers and increase their sales volume.
- We plan to continue to provide useful functions, such as SaaS solutions to sellers and buyers and help them optimise sales and operational management. In the meanwhile, advanced functions will enable us to further monetise our digital solutions from our expanding user base.

Optimising our overall cost and expense structure and improving our operating margin

We expect our overall gross profit margin to steadily increase going forward.

- We plan to increase the contribution from businesses with higher profitability. We plan to further increase the revenue contribution from other businesses thus to improve our overall gross profit margin.
- We will drive further economies of scale in our sales and offering of products with optimised product portfolio structure. As we continue to scale, we plan to bargain with payment service providers to negotiate a lower transaction processing fee rate going forward.
- We plan to negotiate with existing suppliers and seek new suppliers with favourable prices and terms. In addition, we plan to broaden our overall supply channels to achieve lower procurement costs.

We plan to continue to make improvement in our operating leverage.

- *Selling and marketing expenses*. First, we plan to increase the efficiency of our BD personnel by empowering them with better digitalisation support from BDPartner. We also plan to invest in academic and on-job training to equip our of BD team with professional knowledge in pharmacology so as to upgrade the overall BD quality. Second, as we continue to grow our network of sellers and buyers on our platform, we expect that we will continue to increasingly benefit from the network effect of our extensive userbase, as well as our brand image. We expect to attract and retain the users more through word-of mouth effect, while less relying on launching extensive promotion and advertising projects. With stronger buyer engagement as our business scales up, we plan to gradually lower our offering of discount coupons to buyers in the future. As such, we expect our marketing and promotion expenses as a percentage of revenue to gradually decrease. Third, we plan to control our fulfilment expenses, mainly incurred for our self-operated orders, through development of our technology, ramping up and increasing the utilisation of our existing warehouses, and optimising the mapping and logistics network among our warehouses to direct orders more efficiently depending on routes and warehouse utilisation. For example, we will further upgrade our delivery management system to optimise the delivery plan, including the best match of warehouses, generation of optimal routes, and selection of third-party delivery service providers who offer the most cost-effective solutions. We will also manage the use of packaging materials to control packaging-related expenses. In addition, we plan to procure and deploy more advanced machines in our warehouses to improve the utilisation and operating efficiency.
- *General and administrative expenses*. We will further enhance our level of centralised management, streamline our internal workflows, and leveraging technology to drive cost-efficient management. We expect our general and administrative expenses to decrease as a percentage of revenue in the future.
- *Research and development expenses*. We plan to continuously hire more IT staff and experts and to invest into our IT infrastructure in order to support the strong growth of both our pharmaceutical circulation business and other businesses. As such, we expect that our R&D expenses will stay at current level as a percentage of revenue in the future.

Improving working capital management

To improve our working capital management, we have been working on and will continue to work on the following aspects.

- We will monitor and control inventory turnover with our technology-driven warehousing and logistics systems and make procurement decisions based on sales. Our inventory turnover days in the past two and a half years have stabilised at around 27 days. As Self-operation Business keeps scaling up and leveraging digitalised supply chain management, we expect inventory turnover days to remain stable in the foreseeable future.
- We will continue to enhance our fulfilment and delivery efficiency to our buyers so that we are able to collect payment on time. We will also continue to collect fees from our sellers on time to ensure a proper level of inflow of funds. Due to increased proportion of sales from self-operation orders settled online, we expect to significantly shorten our receivable collection cycle.
- We will continue to optimise our payment cycle, negotiate with our suppliers for better payment settlement terms and reduce the portion of transactions processed under prepayment. We expect shorten payable collection cycle in the foreseeable future, as we plan to expedite our payment cycle for our suppliers. Although it may impose challenge in our working capital management, we believe there is an important commercial consideration for us to maintain a good relationship with our suppliers and to retain high-quality suppliers for our business in the long run.

Leveraging competitive strengths and advantages

We believe that our current competitive strengths and advantages are key for us to achieve profit and cash breakeven. Our leading position and large scale have become our moat and enable us to grow and capture the market share in a effective and economical way. Our industry positioning below is supported by analyses performed by Frost & Sullivan.

- Our total GMV reached RMB37.8 billion in 2022, representing a CAGR of 38.6% from that in 2020, both the highest among leading digital pharmaceutical platforms serving businesses outside of hospitals in China. We serve the [largest] digital pharmaceutical transaction and service network, including, among others, around 354,000 downstream pharmacies and around 173,000 primary healthcare institutions, as of 31 December 2022. We plan to further expand our coverage and penetration in pharmacies and primary healthcare institutions.
- We are able to maintain an active buyer base which allows us to obtain market insights, design tailored strategies, and provide advices to our suppliers. We had 308,000 average number of MAB in 2022, the highest among digital pharmaceutical platforms serving businesses outside of hospitals in China. We are able to maintain good relationship with our ecosystem participants. We will further expand our buyer base and improve buyer engagement.
- Our platform offers comprehensive SKUs. The average number of monthly available SKUs was around 3.3 million in 2022, the [highest] among digital pharmaceutical platforms serving businesses outside of hospitals in China. Buyers are willing to transact with us as they can easily find what they need. We will continue to enlarge and diversify our SKU pool.

- In 2022, our supply chain management enabled us to maintain inventory turnover days at 26.5 days, better than the industry average level in the pharmaceutical circulation industry. We ensured that an order could be processed and completed for delivery in, on average, 2.85 hours in our warehouses, in 2022, much faster than the industry average level. In 2022, we kept the average inter-province delivery time at 41 hours for cities and 51 hours for towns, outperforming the industry average by approximately 20%. We are able to provide time-efficient purchase experience with high-quality product to our buyers, so that they are willing to continuously transact on our platform. In 2022, we also managed to keep low logistics expenses at 1.46% of the GMV of our Self-operation Business, much lower than the industry average rate. We plan to continue to expand the network of our warehouses and further upgrade and digitalise our supply chain management systems.
- Our platform is well connected to the SaaS solutions and our CertEx certificate exchange platform we provide to our ecosystem participants, so that they can manage transactions, operations and certain compliance matters in an integrated way. Few of the players in the outside-of-hospital pharmaceutical transaction industry provide similar services, specially from the seller side. We will continue to develop advanced functions to better assist our ecosystem participants.
- Our BD strategies are carried out by our dedicated BD team and digitalised management tools. Our BD team members are familiar with the market and are well trained. They have been an important source for us to quickly understand our downstream needs and we believe they are important for us to take a significant share of future market expansion. We plan to continue to train our BD team and provide them with better digital management tools so that they can help us better serve our buyers.

Based on the above, our Directors are of the view that our business is sustainable.

See "Business—Business sustainability" for further details.

OVERLAPPING PRODUCTS

Since some of the SKUs are sold both by sellers on our Online Marketplace and by us in our Self-operation Business, potentially there could be competition between these sellers and us. Sellers on our Online Marketplace are aware of the existence of the potential competition. Buyers have their own discretion to decide whether to purchase products from sellers on our Online Marketplace or directly from us. We take a series of measures to ensure fair treatment between the sellers of our Online Marketplace and us. See "Business—Products and services—Overlapping products" for further details.

RECURRING CUSTOMERS

Customers of our Online Marketplace are mainly sellers on our Online Marketplace. We charge these sellers commissions. The number of recurring sellers on our Online Marketplace, defined as sellers who successfully completed at least one transaction on our Online Marketplace in the previous year of a given year and successfully completed at least one transaction on our Online Marketplace in the given year, was around 1,800 and 2,500 in 2021 and 2022, respectively. Around 86.2% and 89.7% of sellers who successfully completed at least one transaction on our Online Marketplace in 2020 and 2021, respectively, successfully completed at least one transaction on our Online Marketplace in 2021 and 2022, respectively. GMV contributed by these recurring sellers was around RMB15.9 billion and

RMB20.6 billion in 2021 and 2022, respectively. Approximation of revenue from these recurring sellers is calculated by multiplying GMV contributed by these recurring sellers with an effective rate (being revenue from our Online Marketplace in a given year divided by GMV from our Online Marketplace in that year). Approximation of revenue from recurring sellers on our Online Marketplace as a percentage of revenue from our Online Marketplace was around 93.4% and 91.0% in 2021 and 2022, respectively.

Customers of our Self-operation Business are mainly buyers in our Self-operation Business. We generate revenue from sales of products to these buyers. The number of recurring buyers in our Self-operation Business, defined as buyers who placed at least one order in our Self-operation Business in the previous year of a given year and placed at least one order in our Self-operation Business in the given year, was around 194,000 and 267,000 in 2021 and 2022, respectively. Around 85.4% and 86.9% of buyers who placed at least one order in our Self-operation Business in 2020 and 2021, respectively, placed at least one order in our Self-operation Business in 2021 and 2022, respectively. GMV contributed by these recurring buyers was around RMB9.2 billion and RMB14.0 billion in 2021 and 2022, respectively. Approximation of revenue from these recurring buyers is calculated by multiplying GMV contributed by these recurring buyers with an effective rate (being revenue from our Self-operation Business in a given year divided by GMV from our Self-operation Business in that year). Approximation of revenue from recurring buyers in our Self-operation Business as a percentage of revenue from our Self-operation Business was around 87.6% and 91.9% in 2021 and 2022, respectively.

RISK FACTORS

There are certain risks involved in our business and industries, our corporate structure, our business operations in China, **[REDACTED]** in our Shares, the Listing and the **[REDACTED]**, many of which are beyond our control. For example, these risks include, among others, the following risks related to our business:

- We are subject to extensive and evolving regulatory requirements.
- Any lack of requisite approvals, licences or permits applicable to our business, or any non-compliance with relevant laws and regulations, may have a material and adverse effect on our business, financial condition, results of operations and prospects. For example, the draft Implementation Rules for the Drug Administration Law of the PRC (Draft for Comments) stipulate that an enterprise engaged in drug online sales activities shall be a legally established drug marketing authorisation holder or a licensed drug distributor, and a third-party platform operator shall not directly participate in online drug sales activities. If we fail to fully comply with the requirements of the rules when it is implemented, our business operation, financial condition and results of operation may be adversely affected.
- Our business, financial condition and results of operations may be materially and adversely affected if we are unable to compete effectively in the PRC general healthcare and wellness market, and we may fail to sufficiently and promptly respond to rapid changes in government regulations, treatment of diseases and market demand.
- We are operating with a limited operating history in an emerging and dynamic digital market of out-of-hospital pharmaceutical circulation services, and our historical results of operations and financial performance are not indicative of future performance.

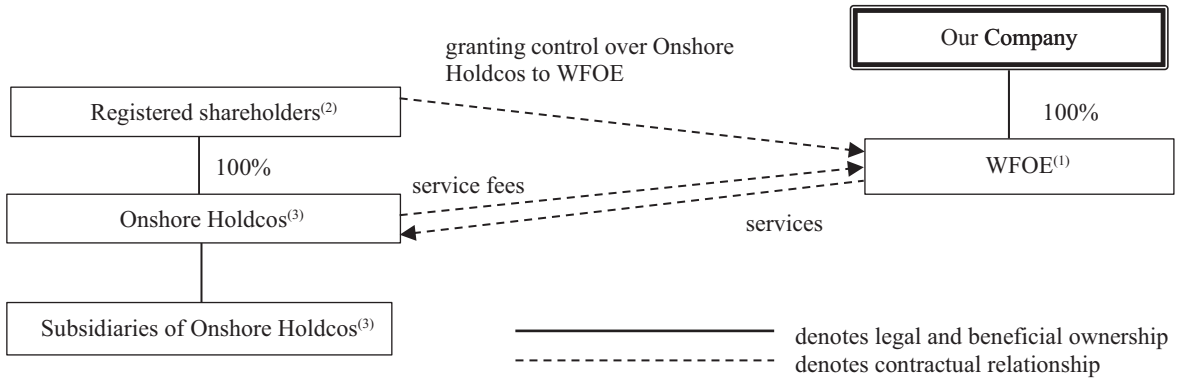
- We have incurred operating losses in the past, and may not be able to achieve or maintain profitability in the future.

See "Risk factors" for further details.

CONTRACTUAL ARRANGEMENTS

Due to foreign investment restrictions under PRC Laws, our Company is unable to own or hold any direct equity interest in our Consolidated Affiliated Entities conducting foreign-investment prohibited or restricted businesses. Accordingly, we control these entities through Contractual Arrangements, through which we are able to derive the economic benefits enjoyed by the Registered Shareholders of the Onshore Holdcos. See "Contractual Arrangements" for further details on our Contractual Arrangements and "Risk factors—Risks related to our corporate structure" for risks related to our variable interest entity structure.

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



Notes:

(1) WFOE is Guangzhou Sudaoyi Information Technology Co., Ltd. (廣州速道易信息科技有限公司).

(2) The registered shareholders of Guangzhou Sudao are Mr. Buzhen Zhang (as to 85.92%), Mr. Jiangwei Wang (as to 3.18%), Mr. Jiahao Shao (as to 0.92%), and Guangzhou Yaodao Information Technology Partnership (Limited Partnership), which is controlled by Mr. Buzhen Zhang (as to 9.98%). The registered shareholder of Guangzhou Yaobang is Mr. Buzhen Zhang.

(3) The Onshore Holdcos and their subsidiaries are collectively our Consolidated Affiliated Entities. The Onshore Holdcos are Guangzhou Sudao Information Technology Co., Ltd. (廣州速道信息科技有限公司, "**Guangzhou Sudao**") and Guangzhou Yaobang Information Technology Co., Ltd. (廣州藥幫信息科技有限公司, "**Guangzhou Yaobang**"). The subsidiary of Guangzhou Sudao is Henan Subiao Information Technology Co., Ltd. (河南速標信息科技有限公司, "**Henan Subiao**"). The subsidiaries of Guangzhou Yaobang are Guangzhou Yuewei Medical Laboratory Co., Ltd. (廣州閱微醫學檢驗所有限公司, "**Guangzhou Yuewei**") and Guangzhou Spectrum Health Technology Co., Ltd. (廣州光譜健康科技有限公司, "**Guangzhou Spectrum**"). See "History, reorganization and corporate structure—Corporate structure" for further details.

SHAREHOLDER INFORMATION

We completed Seed to Series E-2 rounds of financing. Details of our share capital structure, including the identities and shareholding percentages of our Pre-**[REDACTED]** Investors are set out in "History, reorganization and corporate structure". Details of our substantial shareholders (under the SFO) who are interested in 5% or more of the voting rights in our Company are set out in "Substantial shareholders".

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, derived from the Accountant's Report set out in Appendix I.

The summary consolidated financial data set forth below should be read together with, the consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

Summary of consolidated statements of profit or loss and other comprehensive income

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

	For the Year Ended 31 December					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Revenue	**6,064,907**	**100.0**	**10,093,538**	**100.0**	**14,274,810**	**100.0**
Cost of sales	**(5,456,118)**	**(90.0)**	**(9,179,708)**	**(90.9)**	**(12,840,093)**	**(89.9)**
Gross profit	**608,789**	**10.0**	**913,830**	**9.1**	**1,434,717**	**10.1**
Selling and marketing expenses	(726,417)	(12.0)	(1,063,817)	(10.5)	(1,325,640)	(9.3)
Research and development expenses	(24,724)	(0.4)	(56,611)	(0.6)	(79,146)	(0.6)
General and administrative expenses	(156,216)	(2.6)	(207,005)	(2.1)	(286,787)	(2.0)
Changes in fair value of financial liabilities at fair value through profit and loss	(294,331)	(4.9)	(128,696)	(1.3)	(1,299,500)	(9.1)
Loss before tax	**(576,272)**	**(9.5)**	**(503,074)**	**(5.0)**	**(1,496,867)**	**(10.5)**
Income tax credit/(expense)	4,561	0.1	1,454	0.0	(3,171)	0.0
Loss for the year	(571,711)	(9.4)	(501,620)	(5.0)	(1,500,038)	(10.5)
Loss and total comprehensive expense for the year	**(571,711)**	**(9.4)**	**(501,620)**	**(5.0)**	**(1,500,038)**	**(10.5)**
Loss and total comprehensive expense for the year attributable to:						
Owners of the Company	(571,711)	(9.4)	(494,041)	(4.9)	(1,488,688)	(10.4)
Non-controlling interests	—	—	(7,579)	(0.1)	(11,350)	(0.1)

Non-IFRS financial measure

In evaluating our business, we consider and use adjusted net loss and adjusted net loss margin as supplemental measures to review and assess our operating performance. The presentation of these non-IFRS financial measures is not intended to be considered in isolation or as substitutes for the financial information prepared and presented in accordance with IFRS. We define adjusted net loss as loss for the year adding back (i) changes in fair value of financial liabilities at fair value through profit and loss, (ii) equity-settled share-based payment expenses, and (iii) **[REDACTED]**. We define adjusted net loss margin as adjusted net loss divided by revenue.

We present these non-IFRS financial measures because they are used by our management to evaluate our operating performance and formulate business plans. Accordingly, we believe that the use of these non-IFRS financial measures provide useful information to **[REDACTED]** and others in understanding and evaluating our operating results in the same manner as our management and Board.

These non-IFRS financial measures are not defined under IFRS and are not presented in accordance with IFRS. These non-IFRS financial measures have limitations as an analytical tool. Further, these non-IFRS measures may differ from the non-IFRS information used by other companies, including peer companies, and therefore its comparability may be limited.

These non-IFRS financial measures should not be considered in isolation or construed as alternatives to profit/(loss) or any other measure of performance. **[REDACTED]** are encouraged to review our historical non-IFRS financial measures in light of the most directly comparable IFRS measures, as

shown below. The non-IFRS financial measures presented here may not be comparable to similarly titled measure presented by other companies. Other companies may calculate similarly titled measures differently, limiting the usefulness of such measures when analysing our data comparatively. We encourage you to review our financial information in its entirety and not rely on a single financial measure.

The following table (i) reconciles adjusted net loss for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is loss for the year, and (ii) presents adjusted net loss margin for the years presented:

	For the Year Ended 31 December		
	2020	2021	2022
	(RMB in thousands, except for percentages)		
Loss for the year	**(571,711)**	**(501,620)**	**(1,500,038)**
Add back:			
Changes in fair value of financial liabilities at fair value through profit and loss	294,331	128,696	1,299,500
Equity-settled share-based payment expenses	—	24,362	38,817
[REDACTED]	—	4,354	36,865
Adjusted net loss, a non-IFRS measure	**(277,380)**	**(344,208)**	**(124,856)**
Adjusted net loss margin, a non-IFRS measure	**(4.6)%**	**(3.4)%**	**(0.9)%**

Changes in fair value of financial liabilities at fair value through profit and loss are related to preferred shares issued to **[REDACTED]**. Upon the completion of the Listing, this line item will no longer be recorded in our consolidated financial statements. Equity-settled share-based payment expenses are non-cash employee related expenses arising from grant of share incentive awards. **[REDACTED]**.

We had adjusted net loss during the Track Record Period mainly because we incurred a large amount of selling and marketing expenses as we were still at the stage of rapid business expansion. The increase in adjusted net loss from 2020 to 2021 was mainly due to a higher amount of selling and marketing expenses we incurred in 2021. The decrease in adjusted net loss in 2022 compared to that in 2021 was mainly due to an increase in our gross profit. See "Financial Information—Period-to-period comparison of results of operations" for more details.

Revenue, gross profit and gross profit margin

The following table sets forth a breakdown of revenue, gross profit and gross profit margin by business model for the periods indicated:

	For the Year Ended 31 December								
	2020			2021			2022		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	(RMB in thousands, except for percentages)								
Self-operation Business	5,691,414	290,648	5.1	9,589,512	496,761	5.2	13,519,017	839,540	6.2
Online Marketplace	372,716	317,701	85.2	489,247	409,534	83.7	694,204	570,148	82.1
Other businesses	777	440	56.6	14,779	7,535	51.0	61,589	25,029	40.6
Total	**6,064,907**	**608,789**	**10.0**	**10,093,538**	**913,830**	**9.1**	**14,274,810**	**1,434,717**	**10.1**

During the Track Record Period, we realised significant growth of revenue and gross profit primarily due to the rapid expansion of our three businesses. Our revenue increased consistently from RMB6.1 billion in 2020 to RMB14.3 billion in 2022, representing a CAGR of 53.4% from 2020 to 2022. Our gross profit increased consistently from RMB608.8 million in 2020 to RMB1,434.7 million in 2022, representing a CAGR of 53.5% from 2020 to 2022.

Our gross profit margin increased from 9.1% in 2021 to 10.1% in 2022, primarily due to the expansion of our Self-operation Business, which is the largest contributor to our total revenues, and the gross profit margin of which increased from 5.2% in 2021 to 6.2% in 2022. Our gross profit margin declined from 10.0% in 2020 to 9.1% in 2021, primarily due to the expansion of our Self-operation Business, which generally has a lower gross profit margin than other businesses.

Gross profit margin for our Self-operation Business increased from 5.2% in 2021 to 6.2% in 2022, primarily due to our increasing bargaining power in procurement as the operations of our Self-operation Business became more mature and our optimization of procurement channels. Gross profit margin for our Self-operation Business remained relatively stable, from 5.1% in 2020 to 5.2% in 2021, as we were still at the expansion stage of our Self-operating Business and we balanced the growth of profitability with the growth of business scale.

Gross profit margin for our Online Marketplace declined from 85.2% in 2020 to 83.7% in 2021 and further to 82.1% in 2022. With the expansion of our Self-operation Business, our Online Marketplace generated more commissions from our own stores on Online Marketplace, which were eliminated when reporting the revenue from Online Marketplace on a consolidated basis. Meanwhile, the transaction processing fees corresponding to the transactions conducted by our own stores on Online Marketplace were recorded as the costs of sales of Online Marketplace. As such, the reported gross profit margin decreased during the Track Record Period. In addition, higher average overall transaction processing fee rate in 2022 also contributed to the decline of gross profit margin. See "Financial Information—Major Components of Our Results of Operations—Cost of Sales" for more information regarding higher average overall transaction processing fee rate.

Gross profit margin of our other businesses declined from 56.6% in 2020 to 51.0% in 2021, primarily because we started to operate ClouDiagnos services in 2021. Gross profit margin for our other businesses declined from 51.0% in 2021 to 40.6% in 2022, primarily because we started to generate profit from wePharmacy, which generally has a lower gross profit margin than SaaS Solutions and ClouDiagnos services. Gross profit margin for SaaS Solutions increased from 94.9% in 2021 to 99.1% in 2022, primarily because we incurred more costs in 2021 for purchasing hardware in the early stage of development of such business.

Selling and marketing expenses

Our selling and marketing expenses increased by 24.6% from RMB1.1 billion in 2021 to RMB1.3 billion in 2022, primarily attributable to (i) an increase in salary and welfare expenses as we hired additional selling and marketing employees to promote our platform and our other businesses to more pharmacies and primary healthcare institutions, and (ii) an increase in fulfillment expenses along with the growth of our Self-operation Business.

Our selling and marketing expenses increased by 46.4% from RMB726.4 million in 2020 to RMB1,063.8 million in 2021, primarily attributable to (i) an increase in salary and welfare expenses as

we hired additional selling and marketing employees to promote our business, and (ii) an increase in fulfilment expenses along with the growth of our Self-operation Business.

We recorded net loss of RMB571.7 million, RMB501.6 million and RMB1,500.0 million in 2020, 2021 and 2022, respectively, mainly because we recorded fair value changes of financial liabilities at fair value through profit and loss in connection with our preferred shares and incurred a large amount of selling and marketing expenses along with our rapid business expansion. The increases in net loss during the Track Record Period were also mainly caused by fluctuations in fair value changes of financial liabilities at fair value through profit and loss and increases in selling and marketing expenses. See "Financial Information—Period-to-period comparison of results of operations" for more details on fluctuations in fair value changes of financial liabilities at fair value through profit and loss and selling and marketing expenses.

Summary of consolidated statements of financial position

The following table sets forth a summary of consolidated statements of financial position as of the dates indicated:

	As of 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Non-current assets	797,876	863,865	423,749
Current assets	1,792,858	2,572,700	3,684,991
Current liabilities	(4,947,815)	(6,225,525)	(8,375,732)
Net current liabilities	(3,154,957)	(3,652,825)	(4,690,741)
Non-current liabilities	(105,075)	(119,529)	(102,718)
Net liabilities	(2,462,156)	(2,908,489)	(4,369,710)
Deficits attributable to non-controlling interests	—	(7,579)	(18,929)

Net current liabilities

Our net current liabilities increased from RMB3,155.0 million as of 31 December 2020 to RMB3,652.8 million as of 31 December 2021, primarily due to an increase in financial liabilities at fair value through profit and loss. See "Financial Information—Discussion of certain key items of consolidated statements of financial position—Financial Liabilities at Fair Value through Profit and Loss" for reasons of the increase.

Our net current liabilities increased by 28.4% from RMB3,652.8 million as of 31 December 2021 to RMB4,690.7 million as of 31 December 2022, primarily due to an increase in financial liabilities at fair value through profit and loss. See "Financial Information—Discussion of certain key items of consolidated statements of financial position—Financial Liabilities at Fair Value through Profit and Loss" for reasons of the increase. Such increase was partially offset by an overall increase in time deposits, bank balances and cash, restricted bank deposits and financial assets at fair value through profit and loss mainly due to (i) our receipt of proceeds of US$55.0 million from Series E-2 financing, and (ii) an increase in our cash position resulted from enhanced management on working capital.

Net liabilities

Our net liabilities increased from RMB2,462.2 million as of 31 December 2020 to RMB2,908.5 million as of 31 December 2021 as we generated loss and total comprehensive expense of

RMB501.6 million in 2021, which were partially offset by a deemed contribution from a shareholder of RMB30.9 million and the recognition of equity-settled share-based payments of RMB24.4 million.

Our net liabilities increased from RMB2,908.5 million as of 31 December 2021 to RMB4,369.7 million as of 31 December 2022 as we generated loss and total comprehensive expense of RMB1,500.0 million in 2022, which was partially offset by the recognition of equity-settled share-based payments of RMB38.8 million.

Our net liabilities position and net current liabilities position are significantly affected by financial liabilities at fair value through profit and loss, which is related to preferred shares we issued to pre-**[REDACTED]** investors. Upon the completion of the Listing, all of the preferred shares will be automatically converted into ordinary shares and financial liabilities at fair value through profit and loss will no longer be recorded on our balance sheet as liabilities, as a result of which our current net liabilities position would turn into current net assets and our net liabilities would turn into net assets.

Summary of consolidated statements of cash flows

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

	For the Year 31 December		
	2020	2021	2022
	(RMB in thousands)		
Net cash (used in)/generated from operating activities	(124,388)	(487,087)	98,200
Net cash (used in)/generated from investing activities	(323,673)	(352,804)	41,070
Net cash from financing activities	158,219	1,124,847	261,927
Net (decrease)/increase in cash and cash equivalents	(289,842)	284,956	401,197
Cash and cash equivalents at the beginning of the year	420,368	130,526	415,482
Effect of foreign exchange rate changes	—	—	18,715
Cash and cash equivalents at the end of the year	130,526	415,482	835,394

Net cash generated from/used in operating activities

In 2022, net cash generated from operating activities was RMB98.2 million, which was primarily attributable to our loss before tax of RMB1,496.9 million, as adjusted by (i) non-cash items, which primarily comprised changes in fair value of financial liabilities at fair value through profit and loss of RMB1,299.5 million mainly as a result of change of valuation of our preferred shares; and (ii) changes in working capital, which primarily resulted from an increase in trade and other payables of RMB472.3 million mainly as a result of an increase in the amount of procurement and an increase in deposits received from third-party sellers on our Online Marketplace, partially offset by an increase in inventories of RMB169.9 million mainly as a result of more pharmaceutical and healthcare products in stock along with the expansion of our Self-operation Business, and an increase in trade and other receivables of RMB127.2 million primarily due to an increase in receivables in custodian as 31 December 2022 was not a working day and we were unable to withdraw the prepayments made by online customers of our Self-operation Business from the settlement system, and an increase in trade receivables primarily as a result of the increase in commissions charged to third-party sellers on our Online Marketplace.

In 2021, net cash used in operating activities was RMB487.1 million, which was primarily attributable to our loss before tax of RMB503.1 million, as adjusted by (i) non-cash items, which

primarily comprised changes in fair value of financial liabilities at fair value through profit and loss of RMB128.7 million mainly as a result of change of valuation of our preferred shares; and (ii) changes in working capital, which primarily resulted from an increase in inventories of RMB331.4 million mainly because we had more pharmaceutical and healthcare products in stock along with the expansion of our Self-operation Business, partially offset by an increase in trade and other payables of RMB97.2 million primarily due to an increase in the amount of procurement.

In 2020, net cash used in operating activities was RMB124.4 million, which was primarily attributable to our loss before tax of RMB576.3 million, as adjusted by (i) non-cash items, which primarily comprised changes in fair value of financial liabilities at fair value through profit and loss of RMB294.3 million mainly as a result of change of valuation of our preferred shares; and (ii) changes in working capital, which primarily resulted from an increase in trade and other payables of RMB584.9 million mainly as a result of increases in trade and note payables related to our procurement of pharmaceutical products and an increase in deposits received representing sales proceeds received on behalf of sellers on our Online Marketplace, partially offset by an increase in trade and other receivables of RMB250.5 million primarily due to the growth of our Online Marketplace and more payments made by our offline business customers to us through bank acceptance bills, and an increase in inventories of RMB224.7 million mainly because we had more pharmaceutical and healthcare products in stock as we expanded our Self-operation Business.

RECENT DEVELOPMENTS

Recent Regulatory Development

Pharmaceutical operation

On 9 May 2022, the NMPA published the draft Implementation Rules for the Drug Administration Law of the PRC (Draft for Comments) 《中華人民共和國藥品管理法實施條例(修訂草案徵求意見稿)》, or the Consultation Paper, for public comments. Pursuant to such draft rules, an enterprise engaged in drug online sales activities shall be a legally established drug marketing authorisation holder or a licensed drug distributor, and a third-party platform operator shall not directly participate in online drug sales activities.

We currently have different corporate entities within the Group to conduct our Online Marketplace and Self-operation Business separately (the "**Separate Operation Arrangement**"). Upon the strictest interpretation of the Consultation Paper, we might only be able to conduct Online Marketplace or Self-operation Business, but not both, resulting in cessation of one of our businesses. In the worst-case scenario that the Separation Operation Arrangement would not comply with the Consultation Paper when it would be formally adopted, we may discontinue one of our businesses. However, we believe the worst-case scenario is quite remote. As advised by our PRC Legal Adviser, the Consultation Paper has no express prohibition on the Separate Operation Arrangement and the main purpose of the above-mentioned rule under the Consultation Paper is to reiterate that third-party platform shall not directly participate in online drug sales activities while providing the platform services, for the following reasons:

- First, Interim Provisions on the Examination and Approval of Internet Drug Transaction Services (《互聯網藥品交易服務審批暫行規定》) (the "**Interim Provisions**") which was promulgated by the State Food and Drug Administration in September 2005 and became effective in December 2005 provides a similar requirement that any enterprise providing services for internet drug trading among drug manufacturers, drug operation enterprises

and medical institutions shall not participate in drug production and operation, and shall not have any relationship of subordination, property right or other economic interest with administrative authorities, medical institutions, drug manufacturers and drug operation enterprises. Compared with the Interim Provisions, (i) the Consultation Paper does not specify that such restrictions apply to "drug production" activities and further limit the restricted business by the platform provider from "drug operation" to "online drug sales"; (ii) the Consultation Paper adds a qualifier "directly" to the restrictions; (iii) the Consultation Paper deletes the broad restriction requirement of "enterprises providing services for internet drug trade shall not have any relationship of subordination, property right or other economic interest with drug distributors", which is in consistent with the qualifier of "directly" being added as mentioned above. Considering the above expressions, similar restrictions in the Consultation Paper are less stringent than the Interim Provisions.

- Second, the Consultation Paper also expressly provides that an enterprise engaged in online drug sales activities shall be a licensed drug distributor. Therefore, as far as the Self-operation Business is concerned, the main concern of the regulatory authority is whether the relevant group companies conducting online drug operations have obtained requisite licences, including without limitation, the Pharmaceutical Operation License (藥品經營許可證). As of the date of this document, we have obtained all requisite licences according to current laws and regulations, including without limitation, the Pharmaceutical Operation License (藥品經營許可證) for entity engaging in self-operation business, and Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務資格證書) for entity engaging in platform business, which is accordingly permitted by the relevant authorities to conduct self-operation business and platform business in different entities.

- Third, on 12 August 2022, our PRC Legal Adviser consulted with Guangdong Medical Products Administration ("**GDMPA**") on named basis and was informed that the Separate Operation Arrangement is common within the industry and does not directly violate the restrictions under Interim Provisions and Consultation Paper. Given that the entity operating platform services business in our Group is located in Guangzhou of Guangdong Province, the abovementioned consultation was conducted with the officer of Guangzhou Drug Inspection Office of GDMPA, and such department, as a constituent department of GDMPA, is authorised by GDMPA for the relevant supervision and administration of enterprises engaging business in relation to drugs and third-party platforms of pharmaceutical online trading. In addition, according to the Provisions on the Functions, Structure and Staffing of the National Medical Products Administration (《國家藥品監督管理局職能配置、內設機構和人員編制規定》) issued by the General Office of the Central Committee of the Communist Party of China and General Office of the State Council on 27 July 2018, provincial drug supervision and administration departments shall be responsible for the licensing, inspection and punishment in the process of manufacturing of drugs, medical devices and cosmetics, and the recordation, inspection and punishment of third-party platforms. Based on this and the consultation responses, our PRC Legal Adviser is of the view that such department of GDMPA is competent to provide the above confirmation.

- Fourth, on 27 October 2022 and 28 October 2022, our PRC Legal Adviser made verbal consultations on named basis with the Department of Policies and Regulations (政策法規司) and the Department of Drug Supervision and Administration (藥品監督管理司) of

NMPA and was informed that: (i) the Consultation Paper was released for public comments only and has not yet come into force. The final operative provisions and the anticipated effective date of such draft regulations may be subject to changes with substantial uncertainty, and the NMPA expressly refuses to give any interpretation to the Consultation Paper which is not in effect and is in the view that it is unnecessary to over-interpret the Consultation Paper; (ii) the Separate Operation Arrangement does not violate the current effective PRC laws and regulations (including the Interim Provisions which is still in effect); (iii) the NMPA is of the view that the online drug sales and the corresponding platform service shall be subject to the Supervision and Administration Measures of Online Pharmaceuticals Sales (《藥品網絡銷售監督管理辦法》) (the "Measures for Online Pharmaceuticals Sales"), officially published on 1 September 2022 and became effective on 1 December 2022, which does not prohibit the Group from conducting the Separate Operation Arrangement and does not stipulate similar restrictions on third-party platform providers and other entities within the Group engaging in drug operation or online drug sales as stipulated in the Interim Provision and the Consultation Paper as mentioned above. The NMPA is of the view that (a) the different subsidiaries within a same Group are independent legal entities, and therefore, any subsidiary engaged in online drug sales, is independent of a different subsidiary within the Group operating the platform; and (b) after the Measures for Online Pharmaceuticals Sales comes into effect, subject to the compliance with the relevant requirements under the Measures for Online Pharmaceuticals Sales, the relevant subsidiary, as an independent legal entity, may carry out online drug sales business on the platform operated by another subsidiary within the Group; and (iv) the provincial MPA shall be responsible for the supervision of third-party platforms for online drug sales (including the Yaoshibang platform). The responsibilities of the Department of Policies and Regulations of NMPA include studying major policies on the supervision and administration of pharmaceutical products, organising the drafting of laws, regulations and administration rules, and conducting the supervision of law enforcement. The responsibilities of Department of Drug Supervision and Administration include organising the drafting of and guiding the implementation of the rules for the operation and administration of pharmaceuticals, and organising the investigation into and punishment of the major illegal acts. Based on this and the consultation responses, our PRC Legal Adviser is of the view that such departments are competent to provide the above confirmation.

In addition, to the best knowledge of the Company, as of the date of this documents, the Company is not aware of any precedent in which an enterprise has been subject to any administrative penalty as a result of adopting the Separate Operation Arrangement. Taking into account the above, assuming that the Consultation Paper comes into effect in its current form, and based on the views of GDMPA and NMPA in the above consultations, our Directors and our PRC Legal Adviser are of the view that the risk of cessation of either Online Marketplace or Self-operation Business under the Consultation Paper is remote, and our Directors are of the view that the Consultation Paper will not have material adverse effect on the Separate Operation Arrangement, our business operation or financial conditions. Taking into account the above, as well as based on the independent due diligence conducted by the Sole Sponsor, including discussion with the PRC Legal Advisers of the Company and the Sole Sponsor regarding their interpretation of the Consultation Paper and their consultation results with the relevant medical products administration authorities, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to disagree with the Directors' view.

Internet pharmaceutical transaction services

On 1 September 2022, SAMR published the Supervision and Administration Measures of Online Pharmaceuticals Sales (《藥品網絡銷售監督管理辦法》) (the "**Measures for Online Pharmaceuticals Sales**"), which took effect on 1 December 2022, aiming to enhance the supervision of online pharmaceutical sales and related third-party platform services. See "Regulations—PRC Regulations—Regulations relating to internet pharmaceutical transaction services". Our Directors are of the view that the Measures for Online Pharmaceuticals Sales has no material impact on our business operation and there are no material impediments for us to comply with the regulations.

As advised by our PRC Legal Adviser, the Measures for Online Pharmaceuticals Sales provide that, among others, each online drug seller shall (i) operate its business within the approved business mode and business scope, (ii) file with the local MPA for its information, including company name, website name, APP name, IP address, network domain name and the information of Pharmaceutical Operation License or Pharmaceutical Manufacture License, and report any changes in the filed information to the local MPA within ten working days, (iii) display its Pharmaceutical Operation License or Pharmaceutical Manufacture License on visible place of its homepage, (iv) retain the qualification documents of its suppliers and electronic transaction records of its online pharmaceuticals sales, and (v) take corresponding control and handling measures in accordance with the national regulations in respect of emergency response, in the event of any public health emergencies or any other emergency that seriously threatens the public health.

As advised by our PRC Legal Adviser, the Measures for Online Pharmaceuticals Sales also specify the filing requirements for the platform provider and imposes certain obligations on the platform provider, including, among others, that each Platform Provider shall (i) establish drug quality and safety management institutions, and equip pharmaceutical technicians to undertake drug quality and safety management, (ii) enhance the scrutiny on the required licenses and permits of online pharmaceutical merchants for online pharmaceuticals sales, (iii) file with the provincial MPA for its information including company name, legal representative, unified social credit code, website name and network domain name, (iv) enter into agreements with online pharmaceutical merchants to specify responsibilities for quality and safety of drugs, (v) establish the examination and inspection system for online pharmaceuticals sales activities, and stop the discovered online pharmaceutical merchants' illegal acts without delay and immediately report such illegal acts to competent governmental authorities, and (vi) take corresponding control and handling measures in accordance with the national regulations in respect of emergency response, in the event of any public health emergencies or any other emergency that seriously threatens the public health. We had completed the filing of the information of the Platform Provider of Yaoshibang platform to the MPA of Guangdong Province and obtained the filing certificate for third-party platform provider for internet drug transaction (藥品網絡交易服務第三方平臺備案憑證) on January 7, 2023. Besides, as of the date of this document, most of our PRC subsidiaries engaging in online drug sales had completed the reporting procedures as online drug sellers, and only three PRC subsidiaries located in Henan, Jiangxi and Zhejiang provinces had not completed the reporting procedures for online drug sales due to lack of provincial implementation rules or requirements on the reporting procedures for online drug sellers.

As advised by our PRC Legal Adviser, the specific procedures and time limit requirement for the reporting as online drug sellers are not specified in the Measures for Online Pharmaceuticals Sales. Provincial MPAs are responsible for formulating the specific local reporting procedures for online drug sellers. If the relevant provincial MPAs have not formulated the local reporting procedures or opened up

reporting channels for online drug sellers in such provinces to complete the reporting procedures, online drug sellers in those provinces, such as our relevant PRC subsidiaries, cannot complete the reporting procedures accordingly. We were not aware of any rectification request by the competent authorities in respect of the aforesaid reporting requirements as of the date of this document, and if the relevant provincial MPAs formulate the specific reporting procedures and open up reporting channels for online drug sellers to complete the reporting procedures, we will carry out the reporting procedures in accordance with the laws and regulations in a timely manner. Having carefully discussed with our PRC Legal Advisor and based on aforementioned analysis, our Directors are of the view that the Group would be able to fully comply with the requirements set out in the Measures for Online Pharmaceuticals Sales without any material impediments, as both a platform provider and an online drug seller by taking the following actions: (i) continuously implementing the relevant measures required by the Measures for Online Pharmaceuticals Sales. As for the Group Companies conducting online drug sales business, such measures include but are not limited to displaying the information of Pharmaceutical Operation License on the homepage of online stores, and retaining qualification documents of suppliers and electronic transaction records for five years and no less than one year after the expiration date of the drugs. As for the Group Company providing platform services, the relevant measures contains, including without limitation, maintaining a drug quality and safety management institution with the pharmaceutical technicians taking charge of the management, examining the qualification and capability of the online drug sellers and entering into agreement with such sellers; (ii) procuring relevant subsidiaries to complete the reporting procedures as an online drug seller once requested by the local competent authorities, (iii) taking corresponding control and handling measures in accordance with the applicable regulations, and (iv) closely monitoring the law enforcement practice by the authorities with regard to Measures for Online Pharmaceuticals Sales. Having carefully discussed with our PRC Legal Adviser, our Directors have confirmed the effectiveness of the above measures. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to disagree with the Directors' view.

For the purpose of the implementation of the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》) and the Measures for Online Pharmaceuticals Sales, and the safety use of drugs by the public, on 30 November 2022, NMPA published the first version of Prohibited List of Online Drug Sales (《藥品網絡銷售禁止清單（第一版）》) (the "Prohibited List"). The Prohibited List specifies the detailed categories of the drugs prohibited from selling online (the "Prohibited Pharmaceuticals"), including the following two main categories: (i) drugs that are prohibited from selling by laws and regulations, including vaccines, blood products, anaesthetics, psychotropic drugs, toxic drugs for medical use, radiopharmaceuticals, pharmaceutical precursor chemicals, medicinal preparations of medical institutions and traditional Chinese medicine granules; and (ii) other drugs that are prohibited from online retailing.

We do not engage in the sales of any Prohibited Pharmaceuticals. Therefore, we believe the Prohibited List will not have any significant impact on our sales and operation. We have also established and implemented internal control measures to ensure that the pharmaceuticals marketed or sold on Our Marketplace and in our Self-operation Business are not any Prohibited Pharmaceuticals. See "Business—Initiatives and internal control measures for third-party sellers on our Online Marketplace" for further details.

Cybersecurity

On 10 June 2021, the SCNPC promulgated the Data Security Law of the PRC, which took effect on 1 September 2021. The Data Security Law provides for a data security review procedure for the data activities that affect or may affect national security. It also imposes data security obligations on persons and entities conducting data processing activities and requires data processors to take necessary measures to protect data security. The Data Security Law also requires protection of Important Data, but the scope of Important Data is still under development and may be further clarified by various PRC governmental authorities by way of issuing ministry-level measures, regulatory guidelines and/or national standards.

On 20 August 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC, which took effect on 1 November 2021. Although it is our policy to only access user information that is necessary for, and relevant to, the services provided and we update our privacy policies and practices in accordance with regulatory developments, we may be required to make further adjustments to our data practices as the Personal Information Protection Law is newly promulgated and the interpretation of many of its specific requirements remain to be clarified by the governmental authorities or is otherwise subject to uncertainty.

On 28 December 2021, the CAC and 12 other PRC governmental authorities published an amendment of the Measures for Cybersecurity Review (《網絡安全審查辦法》) previously released in 2020, or the Measures for Cybersecurity Review 2022, which took effect on 15 February 2022. The Measures for Cybersecurity Review 2022 provides that the relevant operators shall apply with the Cybersecurity Review Office of the CAC for a cybersecurity review under the following circumstances: (i) internet platform operators holding over one million individuals' personal information aiming for foreign listing; (ii) operators of "critical information infrastructure" purchasing internet products and services that affects or may affect national security; and (iii) internet platform operators carrying out data processing that affects or may affect national security. However, there is not any further explanation or interpretation for "foreign listing" or "affect or may affect national security" under the Measures for Cybersecurity Review 2022. We understand that our proposed listing in Hong Kong is not likely to fall into the scope of "foreign listing". However, in light of the Measures for Cybersecurity Review 2022, there can be no assurance that our data processing activities will not be found by relevant PRC governmental authorities as "affecting national security" and the PRC governmental authorities may have wide discretion in the interpretation and enforcement of the laws and regulations. Furthermore, on 30 July 2021, the PRC State Council published the Regulations on Security and Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which took effect on 1 September 2021. According to the Regulations on Security and Protection of Critical Information Infrastructure, the competent PRC governmental authorities of important industries and sectors are responsible for identifying critical information infrastructures in their own industries and sectors based on the identification rules and informing the operator of the critical information infrastructure if such infrastructure is identified and designated as critical information infrastructure in a timely manner. However, as of the Latest Practicable Date, we have not yet been informed, approached or designated as a critical information infrastructure operator under the applicable PRC laws and regulations by any PRC governmental authorities. We have not received any inquiry, notice, warning or sanction regarding cybersecurity from any PRC governmental authorities nor been involved in any investigations on cybersecurity review made by any PRC governmental authorities.

On 14 November 2021, the CAC published a draft of the Administrative Regulations for Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Internet Data Security Regulations, for public comments. The Draft Internet Data Security Regulations provide that data processors conducting certain activities must apply for cybersecurity review. See "Regulations—PRC regulations—Regulations relating to cybersecurity and information security" for more details. Substantial uncertainties exist with respect to the enactment timetable, final content, interpretation, and implementation of the measures, including the standards for determining whether a listing in Hong Kong "affects or may affect national security". Under applicable cybersecurity and data privacy laws and regulations in the PRC, it is not a mandatory requirement to confirm with or consult with the CAC in relation to whether we need to apply for a cybersecurity review for our proposed listing in Hong Kong. However, our PRC Legal Adviser had a real-name consultation on 24 November 2022 with China Cybersecurity Review Technology and Certification Center ("CCRC"), which is authorized by the CAC for receiving and accepting the submission of cybersecurity reviews and answering public inquiry relating to the cybersecurity review. We respectfully submit that the CCRC confirmed that as the proposed listing in Hong Kong is not a "foreign listing" as provided under Article 7 of the Measures for Cybersecurity Review 2022, we do not need to voluntarily apply for cybersecurity review for the proposed listing in Hong Kong unless explicitly notified by relevant regulators. As for the cybersecurity review for the data processing activities that "affect or may affect the national security" initiated by the Cybersecurity Review Office under the CAC stipulated in Article 16 of the Measures for Cybersecurity Review 2022, it is still uncertain about the meaning of "affect or may affect the national security" and there is still risk that we may be subject to the cybersecurity review in the future. Having said that, according to our PRC Legal Adviser's real-name consultation with the CCRC, if any competent PRC governmental authorities deem it necessary to conduct a cybersecurity review of a company, it will proactively notify the company concerned. However, as of the Latest Practicable Date, we had not received any notice regarding cybersecurity review from any PRC governmental authorities.

As advised by our PRC Legal Adviser, we are of the view that the Draft Internet Data Security Regulations, if being implemented in its current form, and the Measures for Cybersecurity Review 2022 will not have any material adverse effect on our business operations or the proposed Listing on the basis that:

(i) we have implemented comprehensive policies and measures to ensure users' data privacy and security and to comply with applicable cybersecurity and data privacy laws and regulations. See "Business—Risk management and internal control—Information system risk management" for more details. We did not experience any material data loss, leakage or non-compliance with the applicable cybersecurity and data privacy laws and regulations in the PRC during the Track Record Period;

(ii) as of the Latest Practicable Date, we have not received any warning or sanction regarding cybersecurity from any PRC governmental authorities nor been involved in any investigations on cybersecurity review made by any PRC governmental authorities;

(iii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other material penalties due to non-compliance with applicable cybersecurity and data privacy laws and regulations;

(iv) we are not subject to cybersecurity review in accordance with Article 5 of the Measures for Cybersecurity Review 2022 as we had not yet been informed, approached or designated as an operator of critical information infrastructure under the applicable

cybersecurity and data privacy laws and regulations by any PRC governmental authorities as of the Latest Practicable Date, and our proposed Listing in Hong Kong does not concern any procurement of network products and services under Article 5 of the Measures for Cybersecurity Review 2022;

(v) as advised by our PRC Legal Adviser, we had not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review 2022 during the Track Record Period and up to the Latest Practicable Date;

(vi) as advised by our PRC Legal Adviser, and subject to any further official guidance and implementation rules relating to the Measures for Cybersecurity Review 2022, Article 7 of the Measures for Cybersecurity Review 2022 requires a cybersecurity review for internet platform operators possessing personal information of over one million users and pursuing a foreign listing (國外上市); and

(vii) we will closely monitor and assess further regulatory developments regarding applicable cybersecurity and data privacy laws and regulations, including the development on cybersecurity review, and comply with the latest regulatory requirements.

Taking into account the above, as well as based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to disagree with the Directors' view. See "Risk Factors—Our business generates and processes a large amount of data, and the improper use or disclosure of such data could harm our reputation and have a material adverse effect on our business and prospects" and "Regulations—PRC regulations—Regulations relating to cybersecurity and information security" for more details.

Foreign investment and overseas listings

On 17 February 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**"), and relevant five guidelines, which came into effect as of 31 March 2023. According to the Overseas Listing Trial Measures, PRC domestic enterprises that seek to **[REDACTED]** and list securities in overseas markets, either in direct or indirect means (the "**Overseas [REDACTED] and Listing**"), are required to fulfil the filing procedure with the CSRC and submit filing reports, legal opinions, and other relevant documents. For details, see "Regulations—PRC regulations—Regulations relating to M&A rules and overseas listings".

According to the Notice on Arrangements for Record Filing Administration of Overseas Offering and Listing of Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》) and the relevant replies by the officials from CSRC which are both promulgated with the Overseas Listing Trial Measures simultaneously, the PRC domestic companies that have already been listed overseas or meet all of the following conditions shall be deemed as existing issuers (存量企業) (the "**Existing Issuers**") : (1) before the effective date of the Overseas Listing Trial Measures (i.e. 31 March 2023), the PRC domestic enterprise's application for its indirect Overseas **[REDACTED]** and Listing has been approved by the relevant overseas regulatory authorities or securities exchanges (for example, a listing hearing has been passed by the Stock Exchange), and the PRC domestic enterprise does not need to re-perform the regulatory procedures for **[REDACTED]** and listing with the overseas regulatory authorities or overseas stock exchanges (for example, a new listing hearing is required by the Stock Exchange); and

(2) the PRC domestic enterprise completes the Overseas **[REDACTED]** and Listing on or prior to 30 September 2023. The Existing Issuers are not required to complete the filling procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved.

Our PRC Legal Advisor is of the view that this Listing shall be deemed as indirect Overseas **[REDACTED]** and Listing by PRC domestic enterprise. Therefore, if there is no re-hearing required by the Stock Exchange after 31 March 2023 and this Listing can be completed on or prior to 30 September 2023, we will not be required to file with the CSRC with respect to this Listing.

Forecast Loss in 2023

We expect that we will possibly continue to be loss-making in 2023 primarily due to the loss from the fair value change of financial liabilities at fair value through profit or loss.

No Material Adverse Change

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 December 2022, which is the end date of the periods reported on in the Accountants' Report included in Appendix I to this document, and there is no event since 31 December 2022 that would materially affect the information as set out in the and the Accountants' Report included in Appendix I to this document.

IMPACT OF COVID-19 ON OUR OPERATIONS

The COVID-19 pandemic caused general business disruption in China in the first half of 2020. The warehouse we leased in Wuhan was shut down at the end of January 2020 and thus caused delays and suspensions in the delivery and shipping of pharmaceutical products. The warehouse in Wuhan resumed operations on April 8, 2020. In addition, we also recorded a higher amount of inventory impairment as of 31 December 2020 due to price fluctuations caused by the rapid development of the COVID-19 pandemic. See "Financial Information—Discussion of certain key items of consolidated statements of financial position—Inventories" for more information. After the COVID-19 pandemic was contained in the second half of 2020, different variants of the coronavirus caused regional resurgences of confirmed cases in 2021 and 2022. We have experienced delays in the delivery and shipping of pharmaceutical products due to travel restrictions imposed by governments. Certain stores we operated on our Online Marketplace and certain warehouses also experienced temporary shutdown for a period of a few days to over one month in 2022. In particular, starting from mid-October 2022, we have experienced shutdowns of warehouses, certain employees being quarantined and restrictions on logistics services in several locations, which negatively affected product shipments. The COVID-19 pandemic also resulted in changes in SKUs on our platform. The amount of pandemic control related SKUs experienced fluctuations. Inconvenience or inability to conduct certain business activities offline also promoted online transactions, which led to a positive impact on our business operations. However, such positive impact could be temporary and we cannot assure you that such positive impact would be sustainable or develop into a reliable driver to the growth of our business. Temporary shutdowns or delays in warehousing and logistics services also negatively affected product shipment by certain of our suppliers, which resulted in them generating less

cash from their operations, and thus caused liquidity issues for certain of our suppliers. In 2020, we recorded impairment of prepayments that were previously made to certain suppliers as we believed that it was more probable than not that we would not be able to receive the corresponding products from the suppliers due to the liquidity issues. See "Financial Information—Period-to-period comparison of results of operations—2021 compared to 2020—Other gains and losses" for more information.

China began to modify its zero-COVID policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December. There were surges of cases in many cities during this time, which caused disruption to our and our suppliers' operations. Demand for medicines that alleviate COVID symptoms increased significantly in a short period of time, which resulted in supply shortages. Surges of cases also resulted in delays or suspension of warehousing and logistics services, which led to additional difficulties in product supply. Many of our employees also contracted COVID during this time, which also negatively affected our delivery capabilities. As of early January 2023, all of our employees had resumed working from offices and warehousing and logistics services all resumed normal.

There remains uncertainty as to the future impact of the virus, especially in light of this change in policy. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are highly uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. Consequently, the COVID 19 pandemic may continue to materially and adversely affect our business, financial condition and results of operations in the current and future years. For risks related to COVID-19 pandemic, see "Risk Factors—Risks related to our Business and Industry—Our business operations and financial performance have been adversely affected by the COVID-19 outbreak, may in the future continue to be affected by the COVID-19 outbreak, and may be affected by other natural disasters, epidemics and other unforeseeable catastrophes."

[REDACTED]

DIVIDEND

We are a holding company incorporated under the Laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC Laws require that dividends be paid only out of the profit for the year determined according to PRC accounting principles. PRC Laws also require companies to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognised as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate.

During the Track Record Period, no dividends were paid or declared by us. As advised by our Cayman Islands counsel, under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profits or share premium account. Even if there are accumulated losses, a dividend may be paid out of the share premium account, provided that the memorandum and articles of association do not prohibit such payment. In no circumstances may a dividend be declared or paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business.

[REDACTED]

[REDACTED] STATISTICS

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]
Market capitalisation of our Shares(1)	HK$**[REDACTED]** million	HK$**[REDACTED]** million
Unaudited pro forma adjusted consolidated net tangible assets less liabilities of the Group attributable to owners of the Company per Share(2)	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

(1) The calculation of market capitalisation is based on **[REDACTED]** Shares, consisting of (i) **[REDACTED]** Shares in issue, assuming the Share Subdivision and the **[REDACTED]** (subject to Assumptions) had been completed on 31 December 2022 and (ii) the conversion of all preferred shares that were in issue on 31 December 2022 into **[REDACTED]** Shares (after the effect of Share Subdivision) upon the completion of **[REDACTED]**.

(2) The unaudited pro forma adjusted consolidated net tangible assets less liabilities of the Group attributable to owners of the Company per Share as of 31 December 2022 is calculated after making the adjustments referred to in Appendix II to this document and on the basis

that **[REDACTED]** Shares are in issue, assuming the Share Subdivision and **[REDACTED]** had been completed on 31 December 2022 but does not include Shares that may be issued under the **[REDACTED]**, Share Incentive Plans or any Shares that may be issued or repurchased by our Company under the general mandates and repurchase mandates or the conversion of all preferred shares existing on 31 December 2022 into ordinary shares of the Company.

Upon completion of the **[REDACTED]**, all preferred shares existing on 31 December 2022 will be converted into ordinary shares of our Company. Had the conversion been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the Company as of 31 December 2022 per Share would have been HK$**[REDACTED]** (based on an **[REDACTED]** of HK$**[REDACTED]** per Share) and HK$**[REDACTED]** (based on an **[REDACTED]** of HK$**[REDACTED]** per Share), respectively. See footnote 5 in Appendix II to this document for details.

[REDACTED]

[REDACTED]

Assuming the **[REDACTED]** is not exercised, after deducting the **[REDACTED]** and other estimated **[REDACTED]** payable by us in connection with the **[REDACTED]**, and assuming an **[REDACTED]** of HK$**[REDACTED]** per Share (being the **[REDACTED]** of the **[REDACTED]**), we estimate that we will receive **[REDACTED]** of approximately HK$**[REDACTED]** million from the **[REDACTED]**. We intend to use the **[REDACTED]** from the **[REDACTED]** for the following purposes:

1. Approximately **[REDACTED]**% of the **[REDACTED]**, or approximately HK$**[REDACTED]** million, is expected to be used for further developing our pharmaceutical circulation business;
2. Approximately **[REDACTED]**% of the **[REDACTED]**, or approximately HK$**[REDACTED]** million, is expected to be used for further developing our other businesses;
3. Approximately **[REDACTED]**% of the **[REDACTED]**, or approximately HK$**[REDACTED]** million, is expected to be used for research and development; and
4. Approximately **[REDACTED]**% of the **[REDACTED]**, or approximately HK$**[REDACTED]** million, is expected to be used for working capital and general corporate purposes.

See "**[REDACTED]**" for further details.