You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended 31 December 2020, 2021 and 2022 included in the Accountant's Report set out in Appendix I to this document, together with the respective accompanying notes. Our audited consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRSs").

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

For the purpose of this section, unless the context otherwise requires, references to 2020, 2021 and 2022 refer to our fiscal years ended 31 December of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

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 over 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. 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.

Leveraging our technological capabilities, we have created and keep enhancing 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, according to Frost & Sullivan. We serve the [largest] digital pharmaceutical transaction and service network, according to Frost & Sullivan, 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 MAB in 2022, the highest among digital pharmaceutical platforms serving businesses outside of hospitals in China, according to Frost & Sullivan. The average number of monthly available 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, according to Frost & Sullivan.

We generate revenue primarily from sales of pharmaceutical products through our Self-operation Business, and commissions from pharmaceutical sellers transacting on our Online Marketplace. In connection with our other businesses, we collect diagnostic testing service fees from primary healthcare institutions and SaaS solution fees from pharmacies. We have a track record of business growth. Our revenues increased by 66.4% from RMB6,064.9 million in 2020 to RMB10,093.5 million in 2021 and further increased by 41.4% from RMB10,093.5 million in 2021 to RMB14,274.8 million in 2022. We recorded gross profit of RMB608.8 million in 2020, RMB913.8 million in 2021 and RMB1,434.7 million in 2022. Our loss and total comprehensive expense for the year was RMB571.7 million in 2020, RMB501.6 million in 2021 and RMB1,500.0 million in 2022.

BASIS OF PRESENTATION

The historical financial information presented in this section has been prepared in accordance with IFRSs issued by the International Accounting Standards Board ("IASB"). The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in note 5 to the Accountant's Report in Appendix I to this document.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our Consolidated Financial Statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgements relating to accounting items. The estimates and assumptions we use and the judgements we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgements based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Our critical accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in note 4 to the Accountant's Report in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and operating results are affected by general factors affecting China's healthcare and pharmaceutical industry, especially outside-of-hospital pharmaceutical circulation sector and digital service for outside-of-hospital circulation sector in China, which are in turn driven by increasing disposable income and healthcare spending, rising awareness of health, an ageing population, increasing life expectancy, increasing penetration of mobile internet, favourable government policies and increasing coverage of medical insurance. Unfavourable changes in any of these general industry conditions could negatively affect demand for our products and services and adversely affect our results of operations.

We are affected by government policies and regulations that address all aspects of our operations, including qualifications and licencing requirements for online and offline sales and distribution of pharmaceutical and other health and wellness products, and online healthcare services, among other things. See also "Risk Factors—Risks Related to Our Business and Industry—We are subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in which, may materially and adversely affect our business and prospects." We have benefitted from certain recent favourable regulatory and policy changes in China, especially various policy initiatives promoting the distribution of pharmaceutical products. We expect that the implementation of these measures relating to the distribution of pharmaceutical products will also affect market competition and drive industry consolidation.

While our business is influenced by general factors affecting China's digital pharmaceutical platforms, we believe our results of operations are more directly affected by company-specific factors, including the following major factors.

Our ability to expand healthcare ecosystem participants transacting on our platform as well as maintain and enhance buyer engagement

Healthcare ecosystem participants transacting on our platform include sellers and buyers of pharmaceutical products on our Online Marketplace, and suppliers of our Self-operation Business. As a result, our ability to attract and grow the number of healthcare ecosystem participants on our platform and to maintain and enhance buyer engagement is fundamental to the success of our business. Our ability to attract and grow ecosystem participant base and to maintain and enhance buyer engagement depends on, among other things, our ability to continue to cultivate an efficient ecosystem, offer a wide variety of SKUs, facilitate fulfilment and fast delivery, and provide high-quality service to industry participants along the value chain. As of 31 December 2022, we had attracted a large number of buyers, including around 354,000 pharmacies and around 173,000 primary healthcare institutions, to transact on our platform, representing a CAGR of 20.9% and 39.3% from that in 2020, respectively. The average number of MAB on our platform was around 202,000 in 2020, 256,000 in 2021 and 308,000 in 2022, among which, the average number of MPB represents 80%, 87% and 92%, respectively. We are able to maintain high buyer engagement. Average number of orders per paying buyer per month increased from 12.6 in 2020 to 27.3 in 2022, representing a CAGR of 46.8%. On the upstream front, the number of suppliers of our Self-operation Business increased consistently from over 5,000 as of 31 December 2020 to over 9,100 as of 31 December 2022, representing a CAGR of 34.4% from 2020 to 2022. Our suppliers receive timely feedbacks on the downstream demand of products and after-sale services. Our suppliers can adjust their decision-making according to the feedback we provide them on geographical preference, pharmacy distribution and the market sales trend. The number of sellers on our Online Marketplace also increased consistently from around 3,600 as of 31 December 2020 to over 6,000 as of 31 December 2022, representing a CAGR of

29.9% from 2020 to 2022. Increased ecosystem participant base as well as buyer engagement positively affected each other and created flywheel effect, leading to a significant growth of GMV on our platform. During the Track Record Period, the total GMV on our platform increased from RMB19.7 billion in 2020 to RMB27.5 billion in 2021 and further to RMB37.8 billion in 2022.

Our ability to create value for participants in the healthcare ecosystem

We are the largest digital pharmaceutical platform serving businesses outside of hospitals in China in terms of GMV in 2021, according to Frost & Sullivan. Our results of operations depend on our ability to create value for various participants in the healthcare ecosystem and increase monetization from these participants. As a digitalization enabler in the outside-of-hospital pharmaceutical circulation 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 institution. Sellers and buyers are drawn to our Online Marketplace because we offer a wide selection of competitively priced pharmaceutical and other health and wellness products, as well as efficient and comprehensive services. Leveraging the large buyer base accumulated on our Online Marketplace, we started our Self-operation Business in 2019 to fulfil the demand of commonly used pharmaceuticals with high quality, and provide reliable fulfilment using our self-operated facilities. With respect to pharmaceutical companies, we are able to create special value for them through our Targeted Product Launch Business. Under such business, we leverage our deep industry know-how 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 products with our digital marketing solutions. In addition, we offer participants in the ecosystem our digital solutions, such as ePalm and CloudComm. We have also implemented various initiatives and invested significantly to ramp up our digital solutions and improve our smart supply chain services.

The value we create for industry participants and our attractiveness to them are reflected in the transaction volume on our platform. Total GMV on our platform increased from RMB19.7 billion in 2020 to RMB27.5 billion in 2021 and further to RMB37.8 billion in 2022. We charge commissions from sellers on our Online Marketplace based on a certain percentage of their sales to buyers. Our commission rates also vary by type of sellers and type of SKUs. We also generate revenue from sales of products under our Self-operation Business. As we further enhance our technologies and IT infrastructure, we aim to create more value for these participants, increasing their engagement and connection and deepening our penetration in the healthcare ecosystem, which we anticipate will create additional monetization avenues for us to drive our revenue growth.

Our ability to manage our mix of product and service offerings

Our results of operations are also affected by the mix of products and services we offer. We currently derive our revenue primarily from the sale of pharmaceuticals to buyers under our Self-operation Business. We also earn commissions from sellers on our Online Marketplace. In addition, we generate revenue by offering other businesses to industry participants such as SaaS solutions and ClouDiagnos. Different products and services have different cost structures. For example, under our Self-operation Business, we purchase pharmaceutical products from suppliers and then sell these products to buyers. The cost of sales of our Self-operation Business mainly represents cost for purchasing pharmaceutical products. Under Online Marketplace business, we charge commissions from sellers on transactions completed on our Online Marketplace and the cost of sales of our Online Marketplace mainly represents transaction processing fees we pay to third-party payment service providers. The Self-operation Business generally has a much lower gross profit margin than that of Online Marketplace. We plan to diversify and optimise the product portfolio on our Online Marketplace to improve our overall commission level. We also plan to increase the portion of procurement directly from pharmaceutical companies, which is expected to reduce the length of supply chain and reduced our procurement costs. With respect to other businesses, we launched ClouDiagnos and wePharmacy in 2021 and plan to further develop our other businesses to diversify our revenue sources. Changes in mix of revenue from different sources could have a significant impact on our profitability. We intend to better manage the mix of our product and service offerings to improve our profitability.

Our ability to control operating costs and expenses and improve efficiency

Our cost of sales primarily represents the cost of procuring pharmaceuticals from suppliers for our Self-operation Business. As our business further grows in scale, we expect to obtain more favourable terms from suppliers, including pricing terms, credit period and volume-based rebates. In addition, we aim to continue to create value for our suppliers, especially pharmaceutical companies, by providing an effective and transparent channel for selling large volumes of their products online and by offering them valuable data insights on market demand, customer preferences and supply chain information. We believe this value proposition will also help us deepen our relationships with suppliers, obtain favourable terms and reduce our procurement costs.

Our selling and marketing expenses are a significant component of our operating costs and expenses, and they primarily consist of salaries and benefits we pay to our sales personnel as well as fulfilment expenses for our Self-operation Business. In 2020, 2021 and 2022, selling and marketing expenses accounted for 12.0%, 10.5% and 9.3% of our total revenues, respectively. We expect our selling and marketing expenses to increase in absolute amounts as we continue to expand our business operations and invest in our new business initiatives, such as ClouDiagnos and wePharmacy, but the selling and marketing expenses as a percentage of revenue is expected to decrease, as buyers are getting more sticky to our platform and thus less subsidies are needed to incentivise them to make purchases on our Online Marketplace. In addition, we anticipate that our research and development expenses will increase in absolute amounts in the foreseeable future in light of our anticipated expansion of our other businesses and further enhancement of our technology capabilities. We also expect that our general and administrative expenses will increase in absolute amounts in the foreseeable future along with our business expansion, but the general administrative expenses as a percentage of revenue is expected to decrease.

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 "—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 "—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."

MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of our 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**
Other income	44,296	0.7	62,465	0.6	88,920	0.6
Other gains and losses	(14,217)	(0.2)	(8,623)	(0.1)	19,965	0.1
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)
Impairment losses recognised under expected credit loss model, net	(3,151)	(0.1)	(1,769)	(0.0)	(2,300)	0.0
Selling and marketing expenses(1)	(726,417)	(12.0)	(1,063,817)	(10.5)	(1,325,640)	(9.3)
Research and development expenses(1)	(24,724)	(0.4)	(56,611)	(0.6)	(79,146)	(0.6)
General and administrative expenses(1)	(156,216)	(2.6)	(207,005)	(2.1)	(286,787)	(2.0)
Finance costs	(10,301)	(0.2)	(8,494)	(0.1)	(10,231)	(0.1)
[REDACTED]	—	—	(4,354)	(0.0)	(36,865)	(0.3)
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)
Other comprehensive expense for the year	—	—	—	—	—	—
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)

(1) Equity-settled share-based payment expenses were allocated as follows:

	For the Year Ended 31 December					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Selling and marketing expenses	—	—	5,770	23.7	7,329	18.9
General and administrative expenses	—	—	16,076	66.0	28,470	73.3
Research and development expenses	—	—	2,516	10.3	3,018	7.8
Total	—	—	**24,362**	**100.0**	**38,817**	**100.0**

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 investors. 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]**

Revenue

During the Track Record Period, we generated revenue from our (i) Self-operation Business, (ii) Online Marketplace, and (iii) other businesses.

We generated a vast majority of our revenue during the Track Record Period from our Self-operation Business, through which we procure pharmaceutical products from pharmaceutical companies and distributors and sell to pharmacies and primary healthcare institutions primarily through our Online Marketplace. Revenue from our Self-operation Business increased significantly during the Track Record Period. See "—Period-to-Period Comparison of Results of Operations" for reasons of the significant increases.

Our revenue from Self-operation Business increased significantly during the Track Record Period primarily due to enlarged buyer base and increased buyer engagement, which improved the

GMV for our Self-operation Business. The average number of MPB for our Self-operation Business increased from around 109,000 in 2020 to around 185,000 in 2021 and further to around 234,000 in 2022. Average number of orders per paying buyer per month for our Self-operation Business increased from 5.6 in 2020 to 8.5 in 2021 and further to 11.4 in 2022. The GMV on our Self-operation Business increased from RMB6.1 billion in 2020 to RMB10.5 billion in 2021 and further to RMB15.2 billion 2022.

We operate our Online Marketplace where sellers of pharmaceutical products such as pharmaceutical distributors sell pharmaceutical products to downstream pharmacies and primary healthcare institutions. We generated revenue from Online Marketplace during the Track Record Period by charging commissions from sellers, based on a certain percentage of their sales on our Online Marketplace. See "Business—Our Business—Online Marketplace" for more information on commission rates.

In addition, we have several other businesses, which mainly include SaaS solutions and ClouDiagnos services. During the Track Record Period, we generated revenue by offering (i) SaaS solutions in 2020, 2021 and 2022, (ii) ClouDiagnos services in 2021 and 2022, and (iii) wePharmacy in 2022. We launched wePharmacy in 2021 but did not recognise any revenue in 2021.

The following table sets forth a breakdown of our revenue both in absolute amount and as a percentage of our total revenue for the periods presented:

	For the Year Ended 31 December					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Self-operation Business	5,691,414	93.8	9,589,512	95.0	13,519,017	94.7
Online Marketplace	372,716	6.2	489,247	4.8	694,204	4.9
Other businesses	777	0.0	14,779	0.2	61,589	0.4
Total	**6,064,907**	**100.0**	**10,093,538**	**100.0**	**14,274,810**	**100.0**

Cost of Sales

Our cost of sales primarily consists of (i) product procurement costs in connection with our Self-operation Business, (ii) transaction processing fees paid to third-party payment service providers in connection with our Online Marketplace, (iii) hardware procurement costs in relation to SaaS solutions, diagnosis testing service fee paid to third-party testing agencies and costs for reagents and consumables for ClouDiagnos services, and manufacturing, shipment and installation costs for wePharmacy. We expect our cost of sales to increase generally along with the expansion of our business.

The following table sets forth a breakdown of our cost of sales by revenue source, both in absolute amount and as a percentage of our total revenue, for the periods presented:

	For the Year Ended 31 December					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Self-operation Business[(1)]	5,400,766	89.1	9,092,751	90.1	12,679,477	88.8
Online Marketplace[(2)]	55,015	0.9	79,713	0.8	124,056	0.9
Other businesses[(3)]	337	0.0	7,244	0.1	36,560	0.3
Total	**5,456,118**	**90.0**	**9,179,708**	**90.9**	**12,840,093**	**89.9**

Notes:

(1) Cost of sales for Self-operation Business represents product procurement costs.

(2) Cost of sales for Online Marketplace mainly represents transaction processing fees.

(3) Cost of sales for other businesses mainly represents (i) hardware procurement costs in relation to SaaS solutions, (ii) diagnosis testing service fee paid to third-party testing agencies and costs for reagents and consumables for ClouDiagnos services, and (iii) manufacturing, shipment and installation costs for wePharmacy.

Based on our unaudited management account, the estimated overall transaction processing fee rates for all transactions on our Online Marketplace, including transactions conducted under our Self-Operation Business, during the Track Record Period was 0.28% in 2020, 0.29% in 2021 and 0.31% in 2022. Higher average overall transaction processing fee rate in 2022 was primarily resulted from a large volume of transactions were conducted in December 2022 as a result of a significant increase in demand for medicines that alleviate COVID symptoms. Transaction processing fees were charged when the buyers make the payments, but commissions are not charged until buyers accept the products. Due to the large-scale outbreak of COVID-19 across China at the end of 2022 after the Chinese government changed the pandemic response policies, logistics and shipment services were adversely affected. Delays in product shipment resulted in transaction processing fees for a large amount of transactions being charged in 2022 but commissions being charged in 2023.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin for the periods indicated:

	For the Year Ended 31 December					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Self-operation Business	290,648	5.1	496,761	5.2	839,540	6.2
Online Marketplace	317,701	85.2	409,534	83.7	570,148	82.1
Other businesses	440	56.6	7,535	51.0	25,029	40.6
Total	**608,789**	**10.0**	**913,830**	**9.1**	**1,434,717**	**10.1**

Other Income

Other income mainly consists of bank interest income, government grants, investment income from financial assets at fair value through profit and loss. Government grants represent the cash received from government after government approval of the applications that meet the requirements of government's policies. There are substantial uncertainties as to whether or not and, if yes, when we will receive government grants. There is no assurance that we will continue to receive any government grants in the future.

Other Gains and Losses

Other gains and losses mainly consist of net foreign exchange losses or gains, donation and losses or gains on disposal of property, plant and equipment. In 2020, we made a cash donation of RMB1.0 million to Wuhan Charity Federation to support Wuhan in its pandemic response. In 2021, we also made cash donations of RMB600,000 to a student public fund in Beijing and RMB60,000 to poverty alleviation projects.

Changes in Fair Value of Financial Liabilities at Fair Value through Profit and Loss

Changes in fair value of financial liabilities at fair value through profit and loss relates to the changes in the fair value of a series of preferred shares we issued to our pre-**[REDACTED]** investors. See note 29 to Accountant's Report in Appendix I to this document.

Impairment Losses Recognised under Expected Credit Loss Model, Net

Impairment losses recognised under expected credit loss model, net represents net impairment losses recognised under expected credit loss model in relation to our trade receivables. See note 34(b) to Accountant's Report in Appendix I to this document.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of salaries and welfare benefits for our selling and marketing personnel, marketing and promotion expenses, fulfilment expenses, and depreciation of property, plant and equipment and amortisation of intangible assets. We expect our selling and marketing expenses to increase in the foreseeable future as we continue to expand our business operations and invest in new business initiatives, such as ClouDiagnos and wePharmacy, but the selling and marketing expenses as a percentage of revenue is expected to decrease, as our buyers are getting more sticky to our platform thus less subsidies are needed to incentivise their purchase on our Online Marketplace. The following table sets forth a breakdown of our selling and marketing expenses for the periods presented:

	For the Year Ended 31 December		
	2020	2021	2022
	(RMB in thousands)		
Salaries and welfare benefits	361,104	565,277	729,945
Marketing and promotion expenses	174,339	186,877	205,728
Fulfilment expenses	141,078	237,650	313,005
Logistics expenses	91,154	160,973	222,265
Rental expenses	38,489	64,322	69,919
Utility expenses	11,435	12,355	20,821
Depreciation of property, plant and equipment and amortisation of intangible assets	20,382	31,657	35,987
Others	29,514	42,355	40,975
Total	**726,417**	**1,063,817**	**1,325,640**

Research and Development Expenses

Our research and development expenses primarily consist of salaries and welfare benefits for our research and development personnel and depreciation of property, plant and equipment and amortisation of intangible assets. We expect our research and development expenses to increase as we expand our research and development team, enhance our software design and engineering technologies and big data analytics capabilities, expand the applications of our other businesses, and develop new features and functionalities on our platform. The following table sets forth a breakdown of our research and development expenses for the periods presented:

	For the Year Ended 31 December		
	2020	2021	2022
	(RMB in thousands)		
Salaries and welfare benefits	22,959	53,304	73,321
Depreciation of property, plant and equipment and amortisation of intangible assets	1,223	2,220	3,089
Others	542	1,087	2,736
Total	**24,724**	**56,611**	**79,146**

General and Administrative Expenses

Our general and administrative expenses primarily consist of salaries and welfare benefits for our general and administrative personnel, general corporate expenses and depreciation of property, plant and equipment and amortisation of intangible assets. We expect our general and administrative expenses to increase in the foreseeable future as we grow our business and incur increased costs related to operating as a public company, but the general and administrative expenses as a percentage of revenue is expected to decrease, as we improve our management and operating efficiency and enjoy the economies of scale as our business grows. The following table sets forth a breakdown of our general and administrative expenses for the periods presented:

	For the Year Ended 31 December		
	2020	2021	2022
	(RMB in thousands)		
Salaries and welfare benefits	93,870	119,730	185,335
General corporate expenses	40,906	64,542	66,156
Depreciation of property, plant and equipment and amortisation of intangible assets	14,042	11,251	19,389
Others	7,398	11,482	15,907
Total	**156,216**	**207,005**	**286,787**

Finance Costs

Our finance costs consist of interest expenses on lease liabilities and bank borrowings. See "—Indebtedness" for more information related to our lease liabilities and bank borrowings.

[REDACTED]

Taxation

Cayman Islands

Under the current Laws of the Cayman Islands, we are not subject to tax on income or capital gains. Additionally, payments of dividends by us to our shareholders will not be subject to taxation in the Cayman Islands, and no withholding tax will be imposed on the payment of a dividend to any holder of our Shares.

Hong Kong

Our subsidiaries in Hong Kong are subject to the uniform tax rate of 16.5%. Under Hong Kong tax law, our subsidiaries in Hong Kong are exempted from income tax on their foreign-derived income and there is no withholding tax in Hong Kong on remittance of dividends. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

PRC

Generally, our subsidiaries and consolidated VIEs in China are subject to enterprise income tax on their taxable income in China at a rate of 25%, except where a special preferential rate applies. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

Guangzhou Sudao Information Technology Co., Ltd., or Guangzhou Sudao, and Guangzhou Sudaoyi Information Technology Co., Ltd., or Guangzhou Sudaoyi, have been qualified as a "High and New Technology Enterprises" ("**HNTE**"), and thus Guangzhou Sudao enjoyed a preferential income tax rate of 15% for three years from 2019 and Guangzhou Sudaoyi enjoys a preferential income tax rate of 15% for three years from 2021, to the extent these two entities have taxable income under the EIT Law, as long as they maintain the HNTE qualification and duly conduct relevant EIT filing procedures with the relevant tax authority. The HNTE certificate is subject to review and renewal every three years. In addition, Guangzhou Sudao, Guangzhou Sudaoyi, Guangzhou Leyao Information Technology Co., Ltd., Guangzhou Yuewei Medical Laboratory Co., Ltd., Guangzhou Xiaoweicang Intelligent Pharmacy Technology Co., Ltd., Guangzhou Guangpu Health Technology Co., Ltd., and Guangzhou Yaobang Information Technology Co., Ltd. enjoyed a super deduction of 175% and 200% of qualified research and development expenses as tax deductible expenses for the period from 1 January 2020 to 30 September 2022 and for the period from 1 October 2022 to 31 December 2022, respectively, pursuant to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC.

Certain PRC entities within our Group are qualified as "small- and micro-enterprises" and thus are able to benefit from a preferential tax rate of 20% under the EIT Law. Accordingly, these entities enjoyed 75% reduction on annual taxable income on first RMB1,000,000 and 50% reduction between the annual taxable income of RMB1,000,000 to RMB3,000,000. In 2021 and 2022, these qualified entities enjoyed 87.5% reduction on annual taxable income on first RMB1,000,000 and 50% reduction between the annual taxable income of RMB1,000,000 to RMB3,000,000.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Risk Factors—Risks Relating to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavourable tax consequences to us and our non-PRC shareholders."

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

2022 compared to 2021

Revenue

Our revenue increased by 41.4% from RMB10.1 billion in 2021 to RMB14.3 billion in 2022, mainly due to an increase in revenue from our Self-operation Business.

Revenue from Self-operation Business. Our revenue from Self-operation Business increased by 41.0% from RMB9.6 billion in 2021 to RMB13.5 billion in 2022, primarily attributable to enlarged buyer base and increased buyer engagement, which improved the GMV for our Self-operation Business. The average number of MPB for our Self-operation Business increased from around 185,000 in 2021 to around 234,000 in 2022. Average number of orders per paying buyer per month for our Self-operation Business also increased from 8.5 in 2021 to 11.4 in 2022. The GMV on our Self-operation Business increased from RMB10.5 billion in 2021 to RMB15.2 billion in 2022.

Revenue from Online Marketplace. Our revenue from Online Marketplace increased by 41.9% from RMB489.2 million in 2021 to RMB694.2 million in 2022, primarily attributable to the growth of GMV on our Online Marketplace, which in turn was driven by, among others, increased seller and buyer base and number of orders placed. The GMV on our Online Marketplace increased from RMB17.0 billion in 2021 to RMB22.6 billion in 2022. The number of sellers on our Online Marketplaces increased from 4,703 as of 31 December 2021 to 6,072 as of 31 December 2022. The number of average MPB for our Online Marketplace increased from around 207,000 in 2021 to around 269,000 in 2022. Average number of orders per paying buyer per month also increased from 15.8 in 2021 to 18.8 in 2022.

Revenue from other businesses. Our revenue from other businesses increased from RMB14.8 million in 2021 to RMB61.6 million in 2022, mainly due to (i) an increase in revenue from medical testing services through our ClouDiagnos services, which was launched in June 2021, and (ii) new revenue source in 2022 derived from wePharmacy, which we launched in the second half of 2021 and started to generate revenue in 2022. Growth of revenue from SaaS solutions in 2022 also contributed to the increase in revenue from other businesses.

Cost of sales

Our cost of sales increased by 39.9% from RMB9.2 billion in 2021 to RMB12.8 billion in 2022, primarily due to our revenue growth and rapid business expansion.

Cost of sales of Self-operation Business. Cost of sales of Self-operation Business, which primarily consist of products procurement costs, increased by 39.4% from RMB9,092.8 million in 2021 to RMB12,679.5 million in 2022, primarily due to the growth of purchase demand from buyers, as a result of which we increased the procurement of pharmaceutical products accordingly.

Cost of sales of Online Marketplace. Cost of sales of Online Marketplace, which primarily consists of transaction processing fees, increased by 55.6% from RMB79.7 million in 2021 to RMB124.1 million in 2022, primarily due to (i) the expansion of transaction volume on our platform, and (ii) a higher average overall transaction processing fee rate. See "—Major Components of Our Results of Operations—Cost of Sales" for more information regarding higher average overall transaction processing fee rate.

Cost of sales of other businesses. Cost of sales of other businesses increased from RMB7.2 million in 2021 to RMB36.6 million in 2022, primarily due to (i) an increase in cost of sales in relation to ClouDiagnos services, which was resulted from the growth of such services, and (ii) an increase in cost of sales in relation to wePharmacy, which we launched in the second half of 2021 and started to generate revenue in 2022.

Gross profit

As a result of the foregoing, our gross profit increased by 57.0% from RMB913.8 million in 2021 to RMB1,434.7 million in 2022. Our gross profit margin increased from 9.1% to 10.1% during the same periods, 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.

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 Online Marketplace declined from 83.7% in 2021 to 82.1% in 2022, primarily because a higher portion of Online Marketplace revenue generated from Self-operation Business was eliminated when reporting the revenue from Online Marketplace on a consolidated basis. The higher portion of Online Marketplace revenue being eliminated was primarily due to the overall growth of our Self-operation Business in 2022. In addition, higher average overall transaction processing fee rate in 2022 also contributed to the decline of gross profit margin. See "—Major Components of Our Results of Operations—Cost of Sales" for more information regarding higher average overall transaction processing fee rate.

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.

Other income

Our other income increased from RMB62.5 million in 2021 to RMB88.9 million in 2022, primarily due to (i) an increase in bank interest income mainly resulted from more cash balances in our bank accounts as enhanced our working capital management and enjoyed higher interest rates for our demand deposits, and (ii) an increase in government grants we received in 2022 mainly in connection with increase in foreign investments.

Other gains and losses

We recorded other losses of RMB8.6 million in 2021, compared to other gains of RMB20.0 million in 2022. We recorded other gains in 2022 primarily because we had net foreign exchange gains of RMB18.7 million in connection with our cash balances in US dollars due to appreciation of US dollars against RMB in 2022.

Changes in fair value of financial liabilities at fair value through profit and loss

Changes in fair value of financial liabilities at fair value through profit and loss were RMB128.7 million in 2021 and RMB1,299.5 million in 2022. The changes were primarily due to an increase in the value of our preferred shares and appreciation of US dollars against RMB, which led to an increase in fair value of preferred shares that are denominated in US dollars. See note 29 to Accountant's Report in Appendix I to this document.

Impairment losses recognised under expected credit loss model, net

Net impairment losses we recognised under expected credit loss model for our trade receivables increased from RMB1.8 million in 2021 to RMB2.3 million in 2022, which is consistent with the growth of our Self-operation 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.

Research and development expenses

Our research and development expenses increased by 39.8% from RMB56.6 million in 2021 to RMB79.1 million in 2022, primarily attributable to an increase in salary and welfare expenses as we incurred more employees related expenses in our efforts to optimise and upgrade technology systems for our businesses and develop technology systems for our other businesses.

General and administrative expenses

Our general and administrative expenses increased by 38.5% from RMB207.0 million in 2021 to RMB286.8 million in 2022, primarily attributable to an increase in salary and welfare expenses as we paid bonuses to our employees, including management personnel, to recognise their performance in 2022.

Finance costs

Our finance costs increased by 20.4% from RMB8.5 million in 2021 to RMB10.2 million in 2022 due to an increase in interest expense on lease liabilities arising from additional office space and warehouses we leased.

Loss and total comprehensive expense for the year

As a result of foregoing, our loss and total comprehensive expense for year increased by 199.0% from RMB501.6 million in 2021 to RMB1,500.0 million in 2022.

2021 compared to 2020

Revenue

Our revenue increased by 66.4% from RMB6,064.9 million in 2020 to RMB10,093.5 million in 2021, mainly due to an increase in revenue from our Self-operation Business.

Revenue from Self-operation Business. Our revenue from Self-operation Business increased by 68.5% from RMB5,691.4 million in 2020 to RMB9,589.5 million in 2021, primarily due to enlarged buyer base and increased buyer engagement, which improved the GMV of our Self-operation Business. The average number of MPB for our Self-operation Business increased from 109,469 in 2020 to 184,746 in 2021. Average number of orders per paying buyer per month for our Self-operation Business also increased from 5.6 in 2020 to 8.5 in 2021. The GMV on our Self-operation Business increased from RMB6.1 billion in 2020 to RMB10.5 billion 2021.

Revenue from Online Marketplace. Our revenue from Online Marketplace increased by 31.3% from RMB372.7 million in 2020 to RMB489.2 million in 2021, primarily attributable to the growth of GMV on our Online Marketplace, which in turn was mainly driven by increased seller and buyer base and number of orders placed. The GMV on our Online Marketplace increased from RMB13.6 billion in 2020 to RMB17.0 billion 2021. The number of sellers on our Online Marketplace increased from 3,599 as of 31 December 2020 to 4,703 as of 31 December 2021. The average number of MPB for our Online Marketplace increased from 144,609 in 2020 to 206,844 in 2021. Average number of orders per paying buyer per month also increased from 9.8 in 2020 to 15.8 in 2021.

Revenue from other businesses. Our revenue from other businesses increased from RMB0.8 million in 2020 to RMB14.8 million in 2021, mainly due to (i) an increase in revenue from our SaaS solutions, and (ii) a new revenue source derived from medical testing services through our ClouDiagnos services in 2021.

Cost of sales

Our cost of sales increased by 68.2% from RMB5,456.1 million in 2020 to RMB9,179.7 million in 2021, primarily due to our revenue growth and rapid business expansion.

Cost of sales of Self-operation Business. Cost of sales of Self-operation Business, which primarily consist of products procurement costs, increased by 68.4% from RMB5,400.8 million in 2020 to RMB9,092.8 million in 2021, primarily due to the increase of procurement of pharmaceutical products as a result of the expansion of our Self-operation Business.

Cost of sales of Online Marketplace. Cost of sales of Online Marketplace, which primarily consists of transaction processing fees, increased by 44.9% from RMB55.0 million in 2020 to RMB79.7 million in 2021, primarily due to the expansion of transaction volume on our platform.

Cost of sales of other businesses. Cost of sales of other businesses increased from RMB0.3 million in 2020 to RMB7.2 million in 2021, primarily because we started to incur medical testing fees paid to third-party testing agencies for our ClouDiagnos services, which we started to operate in 2021.

Gross profit

As a result of the foregoing, our gross profit increased by 50.1% from RMB608.8 million in 2020 to RMB913.8 million in 2021. Our gross profit margin declined from 10.0% to 9.1% during the same periods, 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 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. 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 from 2020 to 2021.

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, which had a gross profit margin of 36.2% in 2021. Compared to SaaS solutions, which had a gross profit margin of 94.9% in 2021, the lower gross profit margin of ClouDiagnos services in 2021 led to the decrease in gross profit margin for our other business in 2021. Our SaaS solutions had a gross margin of 56.6% in 2020. The substantial lower gross profit margin of our SaaS solutions in 2020 was mainly because we just started to generate revenue from SaaS solutions in 2020 and incurred a substantial amount of hardware procurement costs before we could generate more revenue in subsequent periods from charging annual subscription fees.

Other income

Our other income increased by 41.0% from RMB44.3 million in 2020 to RMB62.5 million in 2021, primarily due to (i) an increase in government grants we received in 2021, and (ii) an increase in investment income from financial assets at FVTPL, which represents investment income from wealth management products we purchased from commercial banks in China. See "—Discussion of certain key items of consolidated statements of financial position—Financial assets at fair value through profit or loss—Cash management policies."

Other gains and losses

We recorded other losses of RMB14.2 million in 2020 and RMB8.6 million in 2021. The decrease was primarily attributable to a decrease in impairment loss on prepayment to suppliers, which decreased from RMB12.4 million in 2020 to RMB2.1 million in 2021 primarily because certain suppliers experienced sudden liquidity issues due to the outbreak of the COVID-19 pandemic in 2020. In response to suppliers' liquidity issue, we enhanced our management on suppliers such as maintaining a blacklist of suppliers and reducing prepayments to suppliers that we do not frequently cooperate with.

Changes in fair value of financial liabilities at fair value through profit and loss

Changes in fair value of financial liabilities at fair value through profit and loss were RMB294.3 million in 2020 and RMB128.7 million in 2021. The changes were primarily due to the change of valuation of our preferred shares. See note 29 to Accountant's Report in Appendix I to this document.

Impairment losses recognised under expected credit loss model, net

Net impairment losses we recognised under expected credit loss model for our trade receivables decreased from RMB3.2 million in 2020 to RMB1.8 million in 2021, primarily because we enhanced our management on sales on credit.

Selling and marketing expenses

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.

Research and development expenses

Our research and development expenses increased by 129.0% from RMB24.7 million in 2020 to RMB56.6 million in 2021, primarily attributable to an increase in salary and welfare expenses as we incurred more employees related expenses in 2021 for research and development activities mainly in relation to our Self-operation Business and other businesses.

General and administrative expenses

Our general and administrative expenses increased by 32.5% from RMB156.2 million in 2020 to RMB207.0 million in 2021, primarily attributable to (i) an increase in salary and welfare expenses as we hired additional management personnel for the development of our business and professional staff with expertise in capital markets, and (ii) an increase in general corporate expenses as we leased more office space.

Finance costs

Our finance costs decreased by 17.5% from RMB10.3 million in 2020 to RMB8.5 million in 2021 due to a decrease in interest expense on bank borrowings as we gradually reduced our acceptance of bank acceptance bills from our offline business customers, which in turn led to a lower level bills discounted and interest expense associated therewith.

Loss and total comprehensive expense for the year

As a result of foregoing, our loss and total comprehensive expense for year decreased by 12.3% from RMB571.7 million in 2020 to RMB501.6 million in 2021.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of 31 December			As of 30 April
	2020	2021	2022	2023
				(Unaudited)
	(RMB in thousands)			
Current assets:				
Inventories	516,106	847,840	1,016,168	1,253,224
Trade and other receivables	528,420	375,118	503,460	415,527
Amount due from a shareholder	38,781	2	2	2
Financial assets at fair value through profit and loss	344,600	512,882	711,076	757,647
Time deposits	76,204	243,899	320,487	249,640
Restricted bank deposits	158,221	209,356	298,404	551,585
Bank balances and cash	130,526	383,603	835,394	485,176
Total current assets	**1,792,858**	**2,572,700**	**3,684,991**	**3,712,801**
Current liabilities:				
Trade and other payables	(1,832,620)	(1,929,826)	(2,398,078)	(2,403,601)
Contract liabilities	(39,961)	(9,373)	(24,434)	(12,762)
Lease liabilities	(47,239)	(63,945)	(81,178)	(76,406)
Bank borrowings	(96,983)	—	—	—
Financial liabilities at fair value through profit and loss	(2,931,012)	(4,222,381)	(5,872,042)	(7,455,781)
Total current liabilities	**(4,974,815)**	**(6,225,525)**	**(8,375,732)**	**(9,948,550)**
Net current liabilities	**(3,154,957)**	**(3,652,825)**	**(4,690,741)**	**(6,235,749)**

Our net current liabilities increased by 15.8% 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 Liabilities at Fair Value through Profit and Loss" below 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 Liabilities at Fair Value through Profit and Loss" below 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.

Our net current liabilities increased by 32.9% from RMB4,690.7 million as of 31 December 2022 to RMB6,235.7 million as of 30 April 2023, primarily due to an increase in financial liabilities at fair value through profit and loss as a result of an increase in value of our preferred shares.

Our net current liabilities position is 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 net assets.

In light of our net current liabilities position as of 31 December 2022, we plan to improve net current liabilities position 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 measures will allow us to increase our revenue and manage our cost and expenses to reach profitability and realise positive operating cash flows. See "Business—Business Sustainability" for more details.

Inventories

Our inventories represent pharmaceutical and healthcare products in stock. The following table sets forth inventories as of the dates indicated:

	As of 31 December		
	2020	2021	2022
	(RMB in thousands)		
Inventories:			
Pharmaceutical and healthcare products	529,111	860,547	1,030,451
Less: impairment provision	(13,005)	(12,707)	(14,283)
Total	**516,106**	**847,840**	**1,016,168**

Our inventories increased by 64.3% from RMB516.1 million as of 31 December 2020 to RMB847.8 million as of 31 December 2021, primarily due to the expansion of our Self-operation Business. Our inventories further increased by 19.9% from RMB847.8 million as of 31 December 2021 to RMB1,016.2 million as of 31 December 2022, primarily due to the growth of our Self-operation Business.

The products we sell generally have a shelf life ranging from 12 to 60 months. Our impairment policies on inventories are formulated based on analysis of remaining shelf life of the products at the end of each year and the corresponding sales data. Based on the analysis, we generally have to sell the products with a shelf life of shorter than 9 months as of the year end with substantial discounts. As a result, we generally make impairment provision to inventories for products with a remaining shelf life of less than nine months as of the end of each year.

The following table sets forth the turnover days of our inventory for the periods indicated:

	For the Year Ended 31 December		
	2020	2021	2022
Inventory turnover days[1]	27.3	27.1	26.5

(1) Inventory turnover days for a period equals the average of the opening and closing inventory balance divided by cost of sales for that period and multiplied by 365 days for the year ended 31 December.

Our inventory turnover days remained stable at 27.3 days in 2020, 27.1 days in 2021 and 26.5 days in 2022.

The following table sets forth the ageing analysis of our inventories as of the dates indicated:

	As of 31 December		
	2020	2021	2022
	(RMB in thousands)		
Within 3 months	492,650	795,549	972,515
4 – 6 months	14,329	25,624	26,605
7 – 12 months	19,923	32,848	29,768
Over 1 year	2,209	6,526	1,563
Total	**529,111**	**860,547**	**1,030,451**

As of 30 April 2023, RMB985.7 million, or 95.7%, of our inventories as of 31 December 2022 had been sold or utilized.

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined based on specific identification method. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sales. Costs necessary to make the sales include incremental costs directly attributable to the sales and non-incremental costs that we must incur to make the sales. Adjustments are recorded to write down the cost of inventory to the estimated net realisable value by considering (i) market price and shelf life of inventories recorded during the Track Record Period, and (ii) slow-moving merchandise and damaged goods, which are dependent on factors such as historical and forecast consumer demand, and promotional environment. Write-downs are recorded in cost of sales in the consolidated statements of profit or loss and other comprehensive income.

We believe that there is no recoverability issue for our inventories, given that (i) the provision of our inventories has been determined with reference to several factors mentioned above; and (ii) in addition to the subsequent utilisation of inventories, our inventory turnover days also provided useful information as to the overall utilisation of inventories during the Track Record Period. Our turnover days were 27.3 days in 2020, 27.1 days in 2021 and 26.5 days in 2022, indicating that inventories shall be generally sold or utilised approximately in one month and we maintained effective inventory management policy.

Trade and Other Receivables

Our trade and other receivables primarily consist of trade receivables, note receivables, advance to suppliers and other receivables. Note receivables represent receivables to be received in bank acceptance bills. Our trade receivables and note receivables represent (i) receivables of commissions we charge to sellers for the sales they made on our Online Marketplace, and (ii) receivables of sales proceeds from our offline business customers.

We generally require sellers on our Online Marketplace to make payments to us on or before 15th day of each month for commissions arising from transactions made in the immediately preceding month. On average, the credit term we grant to sellers is approximately 30 days. With respect to offline allocation channels business, we generally allow a credit term of 30 to 90 days.

The following table sets forth our trade and other receivables as of the dates indicated:

	As of 31 December		
	2020	2021	2022
	(RMB in thousands)		
Trade receivables	104,285	116,692	139,215
Less: allowance for credit losses	(4,616)	(6,385)	(4,657)
Note receivables	260,805	11,852	29,163
Total trade and note receivables	360,474	122,159	163,721
Advance to suppliers	73,159	84,753	112,651
Other tax recoverable	15,535	15,298	4,145
Prepaid expense	3,643	19,825	12,233
Deferred issue costs	—	1,451	5,854
Receivables in custodian	3,608	35,942	119,945
Other receivables	72,001	95,690	84,911
Total trade and other receivables	**528,420**	**375,118**	**503,460**

Our trade and other receivables decreased by 29.0% from RMB528.4 million as of 31 December 2020 to RMB375.1 million as of 31 December 2021, primarily because we enhanced our receivable management and leveraged our bargaining power to encourage our offline business customers to make payments to us through wire transfer in lieu of bank acceptance bills. The decrease was partially offset by an increase in receivables in custodian, which represent prepayments made by online customers of our Self-operation Business in Ping An Bank's settlement system that are recognised as receivables after their acceptance of the products we shipped but before our withdrawal from the settlement system, as a result of our migration of settlement service on our Online Marketplace to Ping An Bank started in 2020.

Our trade and other receivables increased by 34.2% from RMB375.1 million as of 31 December 2021 to RMB503.5 million as of 31 December 2022, primarily due to (i) 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 (ii) an increase in trade receivables primarily as a result of the increase in commissions charged to third-party sellers on our Online Marketplace.

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

	For the Fiscal Year Ended 31 December		
	2020	2021	2022
Trade receivable turnover days[(1)]	7.0	3.9	3.1

(1) Trade receivables turnover days for a period equals the average of the opening and closing trade receivables divided by revenue for that period and multiplied by 365 days for the year ended 31 December.

Our trade receivable turnover days decreased from 7.0 days in 2020 to 3.9 days in 2021, primarily because we enhanced the collection of trade receivables. Our trade receivable turnover days further decreased to 3.1 days in 2022 as we further tightened our policy for granting credit terms to buyers from offline channels.

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

	As of 31 December		
	2020	2021	2022
	(RMB in thousands)		
Within 3 months	90,373	91,485	127,854
3 to 6 months	5,953	14,519	3,057
6 to 12 months	1,535	4,167	1,182
Over 12 months	6,424	6,521	7,122
Total	**104,285**	**116,692**	**139,215**

For note receivables, the average ageing is within two to 12 months based on the received date, which we believe that no impairment allowance is necessary as there is no significant change in credit quality and the balances are considered fully recoverable.

We apply the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical payment profiles and historical loss rates, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables. See note 20 to the Accountant's Report in Appendix I to this document.

As of 30 April 2023, RMB129.2 million, or 92.8%, of our trade receivables as of 31 December 2022 had been settled.

In order to minimise the credit risk, we have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. We perform impairment assessment on trade receivables, including balances aged over 90 days under expected credit loss model on a collective basis. Trade receivables are grouped by internal credit rating based on shared credit risk characteristics by reference to past due exposure for customers and adjusted by forward-looking information. After the assessment, we believe that sufficient provision has been made for our trade receivables as of the end of each year/period during the Track Record Period, including balances aged over 90 days.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss represent wealth management products we purchased from commercial banks in China. The return of the wealth management products was determined by reference to the return of their underlying investments. The wealth management products as of 31 December 2020, 2021 and 2022 had no fixed contractual period and can be redeemed any time at our discretion.

Our financial assets at fair value through profit or loss increased from RMB344.6 million as of 31 December 2020 to RMB512.9 million as of 31 December 2021 and further increased to RMB711.1 million as of 31 December 2022, primarily because we invested in more wealth management products with low risks so as to generate some returns from idle fund.

Fair value measurement

Since the contractual cash flows of structured deposits do not represent solely the payments of principal and interest on the principal amount outstanding, structured deposits are measured at fair value through profit or loss. To provide an indication of the reliability of the inputs used in determining fair value, we have classified our financial instruments into three levels as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

As of 31 December 2020, 2021 and 2022, all of our financial assets at fair value through profit or loss were classified as Level 2 financial instruments and the fair value was measured by reference to quoted value from commercial banks. As of 31 December 2022, all of our financial assets at fair value through profit or loss had no fixed contractual period. The investment in these financial assets after the Listing will be subject to compliance with Chapter 14 of the Listing Rules.

Cash management policy

We believe we can make better use of our cash by making appropriate investments in short-term investment products, which generate income without interfering with our business operation or capital expenditures. Our chief financial officer is responsible for overseeing cash management activities. Our investment decisions with respect to financial products are made on a case-by-case basis and after due and careful consideration of a number of factors, including, but not limited to, the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit and potential loss of the investment. We have established a set of internal control measures which allow us to achieve reasonable returns on our investments while mitigating our exposure to high investment risks. These policies and measures were formulated by our senior management.

According to our internal policies, a proposal to invest in financial products must be reviewed and approved by our treasury management team and the head of our finance department, and depending on the amount of investment, an approval from our chief financial officer may be required. Board approval for investing in financial products is required when the total outstanding balance of the financial products purchased by us exceeds 20% of our total assets. In assessing a proposal to invest in wealth management products, a number of criteria must be met, including, but not limited to, the following:

- we should generally invest in short-term wealth management products or long-term time deposits;
- investments in high-risk wealth management products are prohibited;
- the proposed investment must not interfere with our business operation or capital expenditures; and
- the wealth management products should be issued by a reputable bank with which we have a long-term relationship.

We believe that our internal policies regarding wealth management products and the related risk management mechanism are adequate. We may continue to purchase wealth management products that meet the above criteria as part of our treasury management where we believe it is prudent to do so after the Listing.

Intangible Assets

Intangible assets represent the pharmaceutical operation licence and the medical institution practicing licence held by the companies we acquired, intangible assets acquired in connection with our acquisition of the business operations of a third party's store on our Online Marketplace, business relationship in relation to a company we acquired, and office software. See note 17 to the Accountants' Report in Appendix I to this document for more details.

Our intangible assets increased from RMB62.7 million as of 31 December 2020 to RMB112.6 million as of 31 December 2021, primarily because we acquired (i) the right and related assets to operate a third party's store on our Online Marketplace, and (ii) a subsidiary that held the medical institution practicing licence.

Our intangible assets decreased from RMB112.6 million as of 31 December 2021 to RMB98.9 million as of 31 December 2022, primarily due to amortisation of our intangible assets.

Goodwill

Goodwill recorded on our balance sheet was related to our acquisition of Guangdong Dihao Pharmaceutical Co., Ltd. and Guangdong Dongjian Pharmaceutical Co., Ltd. See note 18 to the Accountants' Report in Appendix I to this document for more details. Goodwill remained to be RMB9.3 million as of 31 December 2020, 2021 and 2022.

Impairment Assessment

Given the continuous losses incurred in our business operations during the Track Record Period, we concluded that there was an indication for impairment and therefore performed impairment assessment on our property, plant and equipment, right-of-use assets and intangibles assets. We identified property, plant and equipment, right-of-use assets and intangibles assets of certain subsidiaries with impairment indicators at net book value amounted to nil as of 31 December 2020, RMB80.5 million as of 31 December 2021 and RMB7.3 million as of 31 December 2022.

We estimate the recoverable amount of the cash-generating unit to which the assets belong to when it is not possible to estimate the recoverable amount individually. Each subsidiary is determined as a cash-generating unit. In addition to property, plant and equipment, right-of-use assets and intangible assets, goodwill has been allocated to two individual cash-generating units, comprising two subsidiaries, Guangdong Dihao Pharmaceutical Co., Ltd. and Guangdong Dongjian Pharmaceutical Co., Ltd.

The recoverable amount of cash-generating unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by our management covering the next five years with pre-tax discount rates of 16%, 16% and 16% as of 31 December 2020, 2021 and 2022, respectively. The pre-tax discount rate was derived from capital asset pricing model by considering different market data and company specific risk. We considered that there are no material changes in the market data and company specific risk throughout the Track Record Period, and thus we applied the same discount rate of 16% throughout the Track Record Period. The cash flows beyond the five-year period are extrapolated using a 3% growth rate. We believe that the growth rate does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the cash-generating units' past performance and management expectations for the market development. The growth rates and discount rate as of 31 December 2020, 2021 and 2022 have been reassessed taking into consideration of the higher degree of estimation uncertainties due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of our wholesales operations.

Based on the result of the assessment, we determined that the recoverable amounts of all cash-generating units are higher than the corresponding carrying amounts as of 31 December 2020, 2021 and 2022. Therefore, no impairment loss was recognised in 2020, 2021 and 2022. We performed sensitivity test by increasing 1% of pre-tax discount rate or decreasing 1% of long-term growth rate, which are the key assumptions for determining the recoverable amount of the cash-generating unit, with all other variables held constant. Based on the sensitivity test performed, no material impairment issue was noted throughout the Track record Period. The headroom of each cash-generating unit that was subject to impairment assessment at the end of each reporting period is not less than 16% during the Track Record Period. We believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of a cash-generating unit to exceed the recoverable amount of that cash-generating unit.

Trade and Other Payables

Our trade payables primarily consist of trade payables, note payables, deposits received, salary and welfare payables, and other tax payables. Trade payables represent payables to suppliers of pharmaceutical products. Note payables represent bank acceptance bills paid to suppliers of pharmaceutical products. The bank acceptance bills were secured and had a maturity period from three to six months. Deposits received mainly represent sales proceeds received on behalf of sellers from buyers on our Online Marketplace, which will be released to the sellers upon buyers' acceptance of products.

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

	As of 31 December		
	2020	2021	2022
	(RMB in thousands)		
Trade payables	630,790	782,566	1,433,487
Note payables	686,491	568,535	448,797
Salary and welfare payables	64,332	101,022	168,824
Other tax payables	11,422	8,221	31,227
Other payables	137,618	211,017	299,622
Deposits to be returned to investors	—	223,338	—
Deposits received	301,967	32,270	1,069
Accrued issued costs and **[REDACTED]**	—	2,857	15,052
Total	**1,832,620**	**1,929,826**	**2,398,078**

Our trade and other payables increased from RMB1,832.6 million as of 31 December 2020 to RMB1,929.8 million as of 31 December 2021, primarily attributable to (i) deposits to be returned to two Series E-2 investors of RMB223.3 million, which represents investment security deposit we received from the two investors in 2021, and (ii) an overall increase in trade payables and note payables combined in relation to our purchases of pharmaceutical products as a result of the growth of our Self-operation Business. The increases were partially offset by a decrease in deposits received as we have gradually been migrating the payment system of our Online Marketplace to Shenzhen PingAn Bank, the settlement of sales proceeds through which does not result in deposits received recorded on our balance sheet.

Our trade and other payables increased from RMB1,929.8 million as of 31 December 2021 to RMB2,398.1 million as of 31 December 2022, primarily attributable to an increase in trade payables mainly as a result of the growth of our Self-operation Business.

The credit period of our trade payables generally ranges from 30 to 90 days. The following table sets forth the ageing analysis of the trade payables as of the dates indicated:

	As of 31 December		
	2020	2021	2022
	(RMB in thousands)		
0-30 days	251,291	347,374	998,860
30-90 days	199,695	249,746	253,227
Over 90 days	179,804	185,446	181,400
Total	**630,790**	**782,566**	**1,433,487**

During the Track Record Period, we did not have any material default on our trade payables.

As of 30 April 2023, RMB1,342.8 million, or 93.7%, of our trade payables as of 31 December 2022 had been settled.

Contract Liabilities

Contract liabilities represent receipts in advance from customers. We generally require advance payments from certain customers before delivery of goods.

Contract liabilities decreased from RMB40.0 million as of 31 December 2020 to RMB9.4 million as of 31 December 2021, primarily due to our migration of settlement service on our Online Marketplace to Ping An Bank, customer prepayments settled through which were no longer recorded on our balance sheet as contract liabilities. This migration started in late 2020 and was completed in 2021.

Contract liabilities increased from RMB9.4 million as of 31 December 2021 to RMB24.4 million as of 31 December 2022, primarily because certain third-party sellers on our Online Marketplace made prepayments of commissions in December 2022 so that when we charge commissions from them in January 2023 before the Chinese New Year they would have sufficient balance on their accounts.

As of 30 April 2023, RMB21.6 million, or 88.4%, of our contract liabilities as of 31 December 2022 had been recognised as revenue.

Financial Liabilities at Fair Value through Profit or Loss

Financial Liabilities at Fair Value through Profit or Loss represents the fair value of the preferred shares we issued to investors. See note 29 to the Accountants' Report in Appendix I to this document for more details. As of 31 December 2020, 2021 and 2022, our financial liabilities at fair value through profit or loss were RMB2.9 billion, RMB4.2 billion and RMB5.9 billion. The increase as of 31 December 2021 was primarily due to our issuance of preferred shares in 2021. The increase as of 31 December 2022 was primarily due to an increase in the value of our preferred shares and appreciation of US$ against RMB in 2022.

Fair value measurement

As of 31 December 2020, 2021 and 2022, all of our financial liabilities at fair value through profit or loss were classified as level 3 financial instruments. The fair value of the financial instruments is established by using valuation techniques, which include back-solve method and equity allocation model involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. See note 29 to the Accountants' Report in Appendix I to this document for more details. Our Directors and management have reviewed the fair value measurement of level 3 financial instruments, taking into account significant unobservable inputs and applicable valuation techniques, and determined that the fair value measurement of level 3 financial instruments is made in accordance with the applicable IFRSs. In particular, in respect of the valuation of the level 3 financial instruments, our management carried out independent due diligence procedures including (i) taking all reasonable steps to verify the accuracy and reasonableness of material information that is likely to affect the valuation of the financial liabilities, including financial forecasts, business plans and assumptions; (ii) assessing the need for a valuation by a professional valuer of the financial liabilities; (iii) evaluating the scope of the valuer's mandate to ensure that the valuation report would be relevant and useful in aiding our Directors to determine the valuation exercise for the financial liabilities are fair and reasonable, and that our Directors can reasonably rely on the valuation; (iv) providing the valuer with all relevant information that is likely to have an impact on the valuation; and (v) reviewing the valuer's valuation analysis and results and making sure to rely on the valuation only if it is reasonable to do so under the circumstances. Based on these procedures, our management is satisfied that the valuation is considered reasonable, and our financial statements are properly prepared.

Our Directors and management are satisfied with the valuation exercise for financial liabilities categorised as level 3 financial instruments in its historical financial information for the purpose of preparing the consolidated financial statements for the Track Record Period as contained in the Accountants' Report set out in Appendix I to this document.

The Reporting Accountant has carried out necessary audit works in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on the Group's Historical Financial Information during the Track Record Period as a whole in Appendix I to this document. The Reporting Accountant's opinion on the Historical Financial Information of the Group during the Track Record Period as a whole is set out on page I-2 of Appendix I to this document.

In relation to the valuation of the financial liabilities categorised with level 3 of fair value measurement, the Sole Sponsor has conducted relevant due diligence work, including but not limited to, (i) conducted due diligence with our Company, in particular with the relevant personnel in charge of finance who is familiar with the valuation of the level 3 financial instruments, to understand (a) the nature and details of the financial instruments, and the procedures performed for such valuation, (b) the key factors, valuation methodologies, and key basis and assumptions taken into account by our Company as advised by the external valuer, and (c) the internal control process undertaken by our Company for reviewing the relevant valuation; (ii) reviewed the underlying valuation report issued by the external valuer engaged by us and conducted due diligence with the external valuer to understand, among others, (a) its work scope, (b) the valuation procedure, and (c) the key factors, valuation methodologies, and key basis and assumptions taken into account when performing the relevant work; (iii) reviewed the professional qualification and previous experience of the external valuer through desktop search; (iv) discussed with the Reporting Accountant to understand the work they have performed in relation to the valuation of level 3 financial liabilities for the purpose of reporting on the Historical Financial Information of our Group as a whole; and (v) reviewed relevant notes in the Accountants' Report in Appendix I to this document, which include the key terms of the preferred shares of our Company. Having considered the work done by the Directors, the Reporting Accountant and the external valuer and the relevant due diligence done as stated above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to disagree with the views of the Directors and the Reporting Accountant above.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have financed our operating and investing activities through cash generated from capital contribution from shareholders and discounts of bank acceptance bills. As of 31 December 2020, 2021 and 2022, our cash and cash equivalents were RMB130.5 million, RMB415.5 million and RMB835.4 million, respectively.

During the Track Record Period, our principal uses of cash have been for the funding of required working capital and other recurring expenses to support the expansion of our operations. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from operating activities, external borrowings, **[REDACTED]** from the **[REDACTED]** and other funds raised from the capital markets from time to time.

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)		
Operating cash flows before movements in working capital	(199,584)	(275,599)	(92,151)
Changes in working capital	75,196	(211,488)	190,351
Net cash (used in)/from operating activities	(124,388)	(487,087)	98,200
Net cash (used in)/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 used in/generated from operating activities

In 2022, net cash 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.

Net cash generated from/used in investing activities

In 2022, net cash generated from investing activities was RMB41.1 million, which was primarily attributable to proceeds from disposal of financial assets at fair value through profit or loss of RMB8,765.7 million and withdraw of time deposits of RMB1,291.5 million, partially offset by purchase of financial assets at fair value through profit or loss of RMB8,964.4 million and placement of time deposits of RMB986.4 million.

In 2021, net cash used in investing activities was RMB352.8 million, which was mainly attributable to purchase of financial assets at fair value through profit and loss of RMB8,999.9 million and placement of time deposits of RMB2,521.1 million, partially offset by proceeds from disposal of financial assets at fair value through profit and loss of RMB8,837.1 million and withdraw of time deposits of RMB2,425.7 million.

In 2020, net cash used in investing activities was RMB323.7 million, which was mainly attributable to purchase of financial assets at fair value through profit and loss of RMB6,592.1 million and placement of time deposits of RMB1,599.9 million, partially offset by proceeds from disposal of financial assets at fair value through profit and loss of RMB6,352.2 million and withdraw of time deposits of RMB1,506.3 million.

Net cash from financing activities

In 2022, net cash generated from financing activities was RMB261.9 million, which primarily attributable to proceeds on issuance of preferred shares of RMB350.2 million, partially offset by repayment of lease liabilities of RMB75.3 million.

In 2021, net cash generated from financing activities was RMB1,124.8 million, which primarily comprised proceeds on issuance of preferred shares of RMB1,162.7 million, partially offset by repayment of lease liabilities of RMB53.5 million.

In 2020, net cash generated from financing activities was RMB158.2 million, which primarily comprised new bank borrowings raised through discounting bills of RMB210.5 million, partially offset by repayment of lease liabilities of RMB44.6 million.

Working Capital

We intend to continue to finance our working capital with cash generated from our operations, external borrowings, the **[REDACTED]** from the **[REDACTED]** and other funds raised from the capital markets from time to time. We will closely monitor the level of our working capital, particularly in view of our strategy to continue expanding our business and further enhance our existing operations. Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, our business expansion plan for our business operations.

Based on our available cash balance, the anticipated cash flow from operations, available banking facilities and the **[REDACTED]** from the **[REDACTED]**, our Directors are of the view that we will have sufficient funds to meet our working capital and capital expenditure requirements for at least the next 12 months from the date of this document.

Based on the review of financial documents and other due diligence documents, discussion with the Directors and the Directors' confirmation, the Sole Sponsor concurs with the Directors' view.

KEY FINANCIAL RATIOS

	For the Year Ended 31 December		
	2020	2021	2022
Gross profit margin[1]	10.0%	9.1%	10.1%
Current ratio[2]	36.2%	41.3%	44.0%

Notes:

(1) Gross profit margin is calculated by dividing gross profit by our total revenue for the applicable period.

(2) Current ratio is calculated by dividing current assets by current liabilities as of the end of the period.

See "—Period-to-Period Comparison of Results of Operations" above for the discussion of changes of our gross profit margin during the Track Record Period.

The current ratio increased from 36.2% as of 31 December 2020 to 41.3% as of 31 December 2021, primarily due to (i) increases in time deposits and bank balances and cash mainly as we received pre-**[REDACTED]** investments from investors, and (ii) an increase in inventories mainly as a result of the expansion of our Self-operation Business.

The current ratio increased from 41.3% as of 31 December 2021 to 44.0% as of 31 December 2022, primarily due to 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.

Our current ratio is significantly affected by financial liabilities at fair value through profit and loss, which is related to preferred shares we issued to pre-**[REDACTED]** investors and will not continue to be recorded as liabilities on our balance sheet upon the conversion to ordinary shares upon the completion of the Listing.

INDEBTEDNESS

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

	As of 31 December			As of 30 April
	2020	**2021**	**2022**	**2023**
				(Unaudited)
	(RMB in thousands)			
Bank borrowings	96,983	—	—	—
Lease liabilities	151,882	181,729	180,548	189,840
Convertible redeemable preferred shares	2,931,012	4,222,381	5,872,042	7,455,781
Total	**3,179,877**	**4,404,110**	**6,052,590**	**7,645,621**

Bank Borrowings

The following table sets forth the breakdown of our bank borrowings as of the dates indicated:

	As of 31 December			As of 30 April
	2020	**2021**	**2022**	**2023**
				(Unaudited)
	(RMB in thousands)			
Bank loan	6,000	—	—	—
Advance from banks on discounted note receivables with recourse repayable within one year	90,983	—	—	—
Total	**96,983**	**—**	**—**	**—**

The bank loan was unsecured and carried a fixed interest rate of 3.05%. Advance from banks on discounted note receivables carried interests ranging from 2.05% to 2.50%. All of our bank borrowings are denominated in RMB.

As of 30 April 2023, our unutilised banking facilities amounted to RMB144.5 million.

Lease Liabilities

Our lease liabilities are related to properties that we lease primarily for our office premises and warehouses. The following table sets forth our lease liabilities as of the dates indicated:

	As of 31 December			As of 30 April
	2020	2021	2022	2023
				(Unaudited)
	(RMB in thousands)			
Current	47,239	63,945	81,178	76,406
Non-current	104,643	117,784	99,370	113,434
Total	**151,882**	**181,729**	**180,548**	**189,840**

When recognising lease liabilities for leases, we applied incremental borrowing rates of the relevant entities in our Group at the leases commencement/modification dates. The weighted average incremental borrowing rate applied by the relevant entities in our Group is 4.75% per annum.

Convertible Redeemable Preferred Shares

As of 31 December 2020, 2021 and 2022, our convertible redeemable preferred shares had fair value of RMB2.9 billion, RMB4.2 billion and RMB5.9 billion, respectively. As of 30 April 2023, being the latest practicable date for our indebtedness statement, our convertible redeemable preferred shares had fair value of RMB7.5 billion. For further information regarding our convertible redeemable preferred shares and its maturity analysis, see notes 29 and 34(b) to the Accountant's Report in Appendix I to this document.

Except as discussed above, as of 31 January 2023, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities.

CONTINGENT LIABILITIES

As of 31 December 2020, 2021 and 2022, we did not have any material contingent liabilities or guarantees.

CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for purchases of property and equipment, which mainly represent refurbishment of warehouses and offices, purchases of warehouse and transportation equipments as well as office equipments, and intangible assets, which mainly represent software, franchises, goodwill and licences, i.e. pharmaceutical distribution and health inspection licences and the medical institution practice licence for the medical testing business that we acquired through acquiring subsidiaries. The following table sets forth our capital expenditures for the periods indicated:

	For the Year Ended 31 December		
	2020	2021	2022
	(RMB in thousands)		
Purchase of intangible assets	1,413	53,502	4,861
Purchase of property, plant and equipment	22,354	66,996	38,848
Total	**23,767**	**120,498**	**43,709**

The increase in 2021 was primarily due to our acquisition of franchise and the medical institution practice license for the medical testing business through acquisition of subsidiaries. The decrease in 2022 was primarily because we established more warehouses across China in 2021 to support the rapid growth of our Self-operation Business and acquired more franchise and licenses in 2021. See note 17 to Accountant's Report in Appendix I to this document. We expect that our capital expenditures in 2023 will primarily consist of purchases of property and equipment and intangible assets. We intend to fund our future capital expenditures and long-term investments with our existing cash balance and **[REDACTED]** from the **[REDACTED]**. See the section headed "**[REDACTED]**" for more details. We may reallocate the fund to be utilised on capital expenditure and long-term investments based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Capital commitments

The following table sets forth our capital commitments as of the dates indicated.

	As of 31 December		
	2020	2021	2022
	(RMB in thousands)		
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information	2,445	8,741	3,788

Operating leases commitment

We lease various offices, pharmacies and warehouses under operating leases for a fix term of two to six years with fixed payments. We have recognised right-of-use assets for these leases, except for short-term and low-value leases. See note 27 to the Accountant's Report in Appendix I to this document for more information. The following table sets forth our operating leases commitment as of the dates indicated.

	As of 31 December		
	2020	2021	2022
	(RMB in thousands)		
Within one year	47,239	63,945	81,178
Within a period of more than one year but not more than two years	45,932	65,091	50,711
Within a period of more than two years but not more than five years	57,492	52,693	48,659
More than five years	1,219	—	—
Total	**151,882**	**181,729**	**180,548**

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details of our related party transactions, see notes 22 and 39 to the Accountant's Report in Appendix I to this document. Amounts due from a shareholder as of each balance sheet date represent the balance of cash advances that are interest-free, non-trade related, unsecured and repayable on demand. These balances will be settled upon the Listing.

Our Directors believe that our transactions with the related parties during the Track Record Period were conducted in the normal course of business and on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risks (currency risk and interest rate risk), credit risk and liquidity risk. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. Risk management is carried out by our senior management. See note 34 to the Accountant's Report in Appendix I to this document for a detailed description of our financial risk management.

Currency Risk

Certain bank balances, time deposits and financial liabilities at FVTPL denominated in foreign currency expose us to foreign currency risk. We currently do not have a foreign currency hedging policy. However, we monitor foreign exchange exposure and will consider hedging significant foreign currency exposure if the need to do so arises. See note 34 to the Accountant's Report in Appendix I to this document for our exposure to currency risk and a sensitivity analysis.

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to our fixed-rate bank borrowings and lease liabilities. We are also exposed to cash flow interest rate risk in relation to our variable-rate time deposits, restricted bank deposits, bank balances and bank borrowings. Our cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on time deposits, restricted bank deposits and bank balances and PRC prime rate arising from our RMB denominated bank borrowings.

We currently do not have an interest rate hedging policy. We manage our interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and future prospects. We will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

We consider our exposure of the time deposits, restricted bank deposits, bank balances and bank borrowings to interest rate risk is insignificant as the fluctuation of market interest rate is not expected to be significant, no sensitivity analysis is presented accordingly.

Credit Risk

Credit risk refers to the risk that our counterparties default on their contractual obligations resulting in our financial losses. Our credit risk exposures are primarily attributable to trade and other receivables, time deposits, restricted bank deposits and bank balances. We do not hold any collateral or other credit enhancements to cover our credit risks associated with these financial assets.

We perform impairment assessment for financial assets under expected credit loss model. See note 34(b) to Accountant's Report in Appendix I to this document for a detailed discussion of our credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable.

Liquidity Risk

In the management of liquidity risk, we monitor and maintain a level of cash and cash equivalents that we believe adequate to finance our operations and mitigate the effects of fluctuations in cash flows.

As of 31 December 2020, 2021 and 2022, we had net liabilities of approximately RMB2,462.2 million, RMB2,908.5 million and RMB4,369.7 million, respectively. Having taken into account what has been disclosed in note 2 to Accountant's Report in Appendix I to this document, our Directors consider that we will have sufficient financial resources to meet in full our working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the Historical Financial Information has been prepared on a going concern basis.

See note 34(b) to Accountant's Report in Appendix I to this document for details of remaining contractual maturity of our financial liabilities based on the agreed repayment terms.

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.

DISTRIBUTABLE RESERVES

As of 31 December 2022, we did not have any distributable reserves.

[REDACTED]

[REDACTED]

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS LESS LIABILITIES OF THE GROUP ATTRIBUTABLE TO OWNERS OF OUR COMPANY

The unaudited pro forma statement of adjusted consolidated net tangible assets less liabilities of the Group attributable to owners of our Company prepared in accordance with Rule 4.29(7) of the Listing Rules is set out below to illustrate the effect of the **[REDACTED]** on our audited consolidated tangible assets less liabilities of the Group attributable to owners of our Company as of 31 December 2022, as if the **[REDACTED]** had taken place on that date.

The unaudited pro forma statement of our adjusted consolidated net tangible assets less liabilities of the Group attributable to owners of our Company as of 31 December 2022 has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as of 31 December 2022 or any future dates following the **[REDACTED]**.

The following unaudited pro forma statement of our adjusted consolidated net tangible assets less liabilities of the Group attributable to owners of our Company is prepared based on our audited consolidated tangible assets less liabilities of the Group attributable to owners of our Company as of 31 December 2022 as derived from the Accountant's Report in Appendix I to this document, and adjusted as described below.

	Audited consolidated tangible assets less liabilities of the Group attributable to owners of the Company as of 31 December 2022 (Note 1)	Estimated [REDACTED] from the [REDACTED] (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets less liabilities of the Group attributable to owners of the Company as of 31 December 2022	Unaudited pro forma adjusted consolidated net tangible assets less liabilities of the Group attributable to owners of the Company as of 31 December 2022 per Share (Note 3) (Note 4)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an **[REDACTED]** of **[REDACTED]** per **[REDACTED]**	(4,458,936)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of **[REDACTED]** per **[REDACTED]**	(4,458,936)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The audited consolidated tangible assets less liabilities of the Group attributable to owners of our Company as of 31 December 2022 is arrived at after deducting intangible assets of RMB98,903,000 and goodwill of RMB9,252,000 from the audited consolidated net liabilities attributable to owners of our Company of RMB4,350,781,000 from the consolidated statements of financial position set out in Appendix I to this document.

(2) The estimated **[REDACTED]** from the **[REDACTED]** are based on **[REDACTED]** new shares to be issued at the **[REDACTED]** of **[REDACTED]** and **[REDACTED]** per **[REDACTED]**, being the **[REDACTED]** and **[REDACTED]** of the stated **[REDACTED]**, respectively, after deduction of the estimated **[REDACTED]** fees and **[REDACTED]** and other related expenses paid/payable by the Group (excluding **[REDACTED]** charged to profit or loss up to 31 December 2022). It does not take into account any shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or options which may be granted under the Share Option Scheme or any shares which may be

issued or repurchased by our Company pursuant to our Company's general mandate or the conversion of all preferred shares existing on 31 December 2022 into ordinary shares of our Company.

For the purpose of the estimated **[REDACTED]** from the **[REDACTED]**, the amount denominated in HK$ has been converted into RMB at the rate of HK$1 to RMB0.89706, which was the exchange rate prevailing on [22 May 2023] with reference to the rate published by the People's Bank of China. No representation is made that the HK$ denominated amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets less liabilities of the Group attributable to owners of our Company per share is arrived at on the basis of **[REDACTED]** shares were in issue, assuming that the Share Subdivision and **[REDACTED]** had been completed on 31 December 2022. It does not take into account any shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or options which may be granted under the Share Option Scheme or any shares which may be issued or repurchased by our Company pursuant to our Company's general mandate or the conversion of all preferred shares existing on 31 December 2022 into ordinary shares of our Company.

(4) For the purpose of unaudited pro forma adjusted consolidated net tangible assets less liabilities of the Group attributable to owners of our Company per share, the amount denominated in RMB has been converted into HK$ at the rate of RMB1 to HK$1.11475, which was the exchange rate prevailing on [22 May 2023] with reference to the rate published by the People's Bank of China. No representation is made that the RMB denominated amounts have been, would have been or may be converted to HK$, or vice versa, at that rate or at any other rates or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated tangible assets less liabilities of the Group attributable to owners of our Company as of 31 December 2022 to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022. In particular, the unaudited pro forma adjusted consolidated net tangible assets less liabilities of the Group attributable to owners of our Company as shown on Page II-1 have not been adjusted to illustrate the effect of the following:

Upon completion of the **[REDACTED]**, the conversion of all preferred shares existing on 31 December 2022 would have reclassified the carrying amount of all preferred shares existing on 31 December 2022 of RMB**[REDACTED]**, assuming no further changes in fair values of all preferred shares existing on 31 December 2022 upon **[REDACTED]**, to ordinary shares under equity. The conversion of all preferred shares existing on 31 December 2022 would have increased the total number of shares in issue assumption stated in Note 3 by [491,225,068] shares (after the effect of Share Subdivision) and would have adjusted the unaudited pro forma adjusted consolidated net tangible assets less liabilities of the Group attributable to owners of our Company as of 31 December 2022 by RMB**[REDACTED]**.

The effect of the conversion of preferred shares into ordinary shares of our Company (the "**Subsequent Transactions**") would have adjusted the unaudited pro forma adjusted consolidated net tangible assets less liabilities of the Group attributable to owners of our Company as of 31 December 2022 by RMB**[REDACTED]** to unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company of RMB**[REDACTED]** based on an **[REDACTED]** of HK$**[REDACTED]** per Share and unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company of RMB**[REDACTED]** based on an **[REDACTED]** of HK$**[REDACTED]** per Share and would have increased the total Shares in issue by [491,225,068] Shares to a total of **[REDACTED]** Shares in issue. Had the Subsequent Transactions been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company as of 31 December 2022 per Share would be RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**) based on an **[REDACTED]** of HK$**[REDACTED]** per Share and RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**) based on an **[REDACTED]** of HK$**[REDACTED]** per Share, respectively.

For the purpose of unaudited pro forma adjusted consolidated net tangible assets less liabilities of the Group attributable to owners of our Company per share, the amount denominated in RMB has been converted into HK$ at the rate of RMB1 to HK$1.11475, which was the exchange rate prevailing on [22 May 2023] with reference to the rate published by the People's Bank of China. No representation is made that the RMB denominated amounts have been, could have been or may be converted to HK$, or vice versa, at that rate or any other rates or at all.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work, which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, save for the recent developments as described in "Summary—Recent Developments", 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 Accountant's Report included in Appendix I to this document, and there has been no event since 31 December 2022 that would materially affect the information as set out in the Accountant's Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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