The following is the text of a report set out on pages I-1 to [I-87], received from the Company's reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this **[REDACTED]**.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YSB INC. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of YSB Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to [I-87], which comprises the consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022, the statements of financial position of the Company as at 31 December 2020, 2021 and 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to [I-87] forms an integral part of this report, which has been prepared for inclusion in the **[REDACTED]** of the Company dated [Date] (the "**[REDACTED]**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *"Accountants' Reports on Historical Financial Information in Investment Circulars"* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2020, 2021 and 2022, of the Company's financial position as at 31 December 2020, 2021 and 2022 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividend was declared or paid by the Company or its subsidiaries in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2020	2021	2022
		RMB'000	RMB'000	RMB'000
Revenue	6	6,064,907	10,093,538	14,274,810
Cost of sales		(5,456,118)	(9,179,708)	(12,840,093)
Gross profit		608,789	913,830	1,434,717
Other income	7	44,296	62,465	88,920
Other gains and losses	8	(14,217)	(8,623)	19,965
Changes in fair value of financial liabilities at fair value through profit or loss ("FVTPL")	29	(294,331)	(128,696)	(1,299,500)
Impairment losses recognised under expected credit loss model, net	34	(3,151)	(1,769)	(2,300)
Selling and marketing expenses		(726,417)	(1,063,817)	(1,325,640)
Research and development expenses		(24,724)	(56,611)	(79,146)
General and administrative expenses		(156,216)	(207,005)	(286,787)
Finance costs	9	(10,301)	(8,494)	(10,231)
[REDACTED]		—	(4,354)	(36,865)
Loss before tax		(576,272)	(503,074)	(1,496,867)
Income tax credit (expense)	10a	4,561	1,454	(3,171)
Loss for the year		(571,711)	(501,620)	(1,500,038)
Other comprehensive expense for the year		—	—	—
Loss and total comprehensive expense for the year	11	(571,711)	(501,620)	(1,500,038)
Loss and total comprehensive expense for the year attributable to:				
Owners of the Company		(571,711)	(494,041)	(1,488,688)
Non-controlling interests		—	(7,579)	(11,350)
		(571,711)	(501,620)	(1,500,038)
Loss per share				
Basic and diluted (RMB)	14	[(4.56)]	[(3.94)]	[(11.88)]

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment, net	15	78,691	107,125	98,261
Right-of-use assets	16	141,514	168,216	165,749
Intangible assets	17	62,684	112,567	98,903
Goodwill	18	9,252	9,252	9,252
Deferred tax assets	10b	1,775	3,152	1,584
Time deposits	23	503,960	463,553	50,000
		797,876	863,865	423,749
Current assets				
Inventories	19	516,106	847,840	1,016,168
Trade and other receivables	20	528,420	375,118	503,460
Amount due from a shareholder	22	38,781	2	2
Financial assets at FVTPL	21	344,600	512,882	711,076
Time deposits	23	76,204	243,899	320,487
Restricted bank deposits	24	158,221	209,356	298,404
Bank balances and cash	24	130,526	383,603	835,394
		1,792,858	2,572,700	3,684,991
Current liabilities				
Trade and other payables	25	(1,832,620)	(1,929,826)	(2,398,078)
Contract liabilities	26	(39,961)	(9,373)	(24,434)
Lease liabilities	27	(47,239)	(63,945)	(81,178)
Bank borrowings	28	(96,983)	—	—
Financial liabilities at FVTPL	29	(2,931,012)	(4,222,381)	(5,872,042)
		(4,947,815)	(6,225,525)	(8,375,732)
Net current liabilities		(3,154,957)	(3,652,825)	(4,690,741)
Total assets less current liabilities		(2,357,081)	(2,788,960)	(4,266,992)
Non-current liabilities				
Lease liabilities	27	(104,643)	(117,784)	(99,370)
Deferred tax liabilities	10b	(432)	(1,745)	(3,348)
		(105,075)	(119,529)	(102,718)
Net liabilities		(2,462,156)	(2,908,489)	(4,369,710)
Capital and deficits				
Share capital	30	2	2	2
Deficits		(2,462,158)	(2,900,912)	(4,350,783)
Deficits attributable to owners of the Company		(2,462,156)	(2,900,910)	(4,350,781)
Non-controlling interests		—	(7,579)	(18,929)
Total deficits		(2,462,156)	(2,908,489)	(4,369,710)

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Non-current asset				
Investments in subsidiaries	40	1,525,650	2,444,719	2,950,495
Current assets				
Other receivables	20	—	1,485	6,421
Amount due from a shareholder	22	2	2	2
Financial assets at FVTPL	21	—	242,276	60,654
Time deposits	23	16,312	—	—
Bank balances and cash	24	730	3,593	6,904
		17,044	247,356	73,981
Current liabilities				
Other payables	25	—	(2,857)	(15,455)
Financial liabilities at FVTPL	29	(2,931,012)	(4,222,381)	(5,872,042)
		(2,931,012)	(4,225,238)	(5,887,497)
Net current liabilities		(2,913,968)	(3,977,882)	(5,813,516)
Net liabilities		(1,388,318)	(1,533,163)	(2,863,021)
Capital and deficits				
Share capital	30	2	2	2
Deficits	41	(1,388,320)	(1,533,165)	(2,863,023)
Total deficits		(1,388,318)	(1,533,163)	(2,863,021)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attribute to the owners of the Company						
	Share capital	Capital reserves	Share-based payments reserve	Accumulated losses	Subtotal	Non-controlling interests	Total deficits
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	2	8,965	—	(1,899,412)	(1,890,445)	—	(1,890,445)
Loss and total comprehensive expense for the year	—	—	—	(571,711)	(571,711)	—	(571,711)
As at 31 December 2020	2	8,965	—	(2,471,123)	(2,462,156)	—	(2,462,156)
Loss and total comprehensive expense for the year	—	—	—	(494,041)	(494,041)	(7,579)	(501,620)
Deemed contribution from a shareholder (Note)	—	30,925	—	—	30,925	—	30,925
Recognition of equity-settled share-based payments (Note 31)	—	—	24,362	—	24,362	—	24,362
Transfer forfeited equity-settled share-based payments to accumulated losses (Note 31)	—	—	(322)	322	—	—	—
As at 31 December 2021	2	39,890	24,040	(2,964,842)	(2,900,910)	(7,579)	(2,908,489)
Loss and total comprehensive expense for the year	—	—	—	(1,488,688)	(1,488,688)	(11,350)	(1,500,038)
Recognition of equity-settled share-based payments (Note 31)	—	—	38,817	—	38,817	—	38,817
Transfer forfeited equity-settled share-based payments to accumulated losses (Note 31)	—	—	(3,683)	3,683	—	—	—
As at 31 December 2022	2	39,890	59,174	(4,449,847)	(4,350,781)	(18,929)	(4,369,710)

Note: As at 31 December 2021, a shareholder waived the amount of approximately RMB30,925,000 due from the Group and is accounted for as deemed contribution from a shareholder in the year ended 31 December 2021.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Loss before tax	(576,272)	(503,074)	(1,496,867)
Adjustments for:			
Finance costs	10,301	8,494	10,231
Bank interest income	(25,307)	(27,900)	(42,657)
Investment income from financial assets at FVTPL	(11,372)	(17,870)	(19,981)
Gain on disposal of subsidiaries	—	—	(1,344)
Depreciation of property, plant and equipment	27,838	35,951	43,429
Depreciation of right-of-use assets	46,753	57,131	76,562
Amortisation of intangible assets	7,809	9,177	15,036
Write down (reversal of write down) for obsolete inventories	9,967	(298)	1,576
Changes in fair value of financial liabilities at FVTPL	294,331	128,696	1,299,500
Impairment losses recognised under expected credit loss model, net	3,151	1,769	2,300
Share-based payment expense	—	24,362	38,817
Impairment loss on prepayment to suppliers	12,376	2,075	—
Losses (gains) on disposal of property, plant and equipment	99	(12)	(38)
Net foreign exchange losses (gains)	742	5,900	(18,715)
Operating cash flows before movements in working capital	(199,584)	(275,599)	(92,151)
Increase in inventories	(224,653)	(331,435)	(169,904)
(Increase) decrease in trade and other receivables	(250,548)	53,336	(127,188)
Increase in trade and other payables	584,914	97,199	472,349
(Decrease) increase in contract liabilities	(34,517)	(30,588)	15,094
Cash (used in) from operations	(124,388)	(487,087)	98,200
Income taxes paid	—	—	—
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(124,388)	(487,087)	98,200

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(22,354)	(66,996)	(38,848)
Proceeds on disposal of property, plant and equipment	645	3,445	3,686
Net cash inflow on disposal of subsidiaries	—	—	1,141
Purchase of intangible assets	(1,413)	(53,502)	(4,861)
Placement of time deposits	(1,599,854)	(2,521,121)	(986,419)
Withdraw of time deposits	1,506,251	2,425,703	1,291,505
Purchase of financial assets at FVTPL	(6,592,119)	(8,999,900)	(8,964,437)
Proceeds from disposal of financial assets at FVTPL	6,352,249	8,837,118	8,765,713
Payments for rental deposits	(1,841)	(475)	—
Investment income received from financial assets at FVTPL	11,372	17,870	19,981
Bank interest income received	25,307	27,900	42,657
Proceeds on disposal of intangible assets	204	—	—
Repayment from a shareholder	—	38,779	—
Net cash outflow on acquisition of subsidiaries	—	(10,490)	—
Advance to a shareholder	(1,022)	—	—
Cash outflow on acquisition of assets	(5,130)	—	—
Placement of restricted bank deposits	(888,734)	(498,492)	(558,822)
Withdraw of restricted bank deposits	892,766	447,357	469,774
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(323,673)	(352,804)	41,070
FINANCING ACTIVITIES			
Advance from a shareholder	—	30,925	—
Repayment of lease liabilities	(44,586)	(53,511)	(75,276)
New bank borrowings raised	210,516	—	4,448
Repayment of bank borrowings	—	(6,000)	(4,448)
Interest paid	(7,711)	(8,494)	(10,231)
Proceeds on issue of preferred shares	—	1,162,673	350,161
Share issue cost paid	—	(746)	(2,727)
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 BEGINNING OF THE YEAR	420,368	130,526	415,482
Effect of foreign exchange rate changes	—	—	18,715
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	130,526	415,482	835,394
Represented by			
Bank balances and cash	130,526	383,603	835,394
Time deposits with original maturity of three months or less	—	31,879	—
	130,526	415,482	835,394

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 27 August 2018 under the Company laws of the Cayman Islands. Its immediate holding company is MIYT Holdings Limited, a company incorporated in the British Virgin Islands (the "BVI").

The addresses of the registered office and principal place of business of the Company are set out in "Corporate Information" of the **[REDACTED]**.

The Company is an investment holding company. The Group mainly operates online platform that provide wholesale and retail of pharmaceutical and healthcare products and online marketplace service to the pharmaceutical and healthcare manufacturers. The Group's principal operations and geographic markets are in the People's Republic of China (the "PRC").

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in the Note 4 which conform with IFRSs issued by the IASB.

As at 31 December 2022, the Group was in net liabilities position of RMB4,369,710,000 and net current liabilities position of RMB4,690,741,000 in which the balances consist of financial liabilities at FVTPL of RMB5,872,042,000 that are originally redeemable at the request of the shareholders of preferred shares. In April 2022, the Group passed a shareholder's resolution to terminate all shareholders' redemption or divestment rights (including the shareholders of preferred shares) against and with respect to the Company, and such terminated redemption or divestment right shall automatically revert and be reinstated in full should a qualified **[REDACTED]** not close on or before 31 December 2023 (the "Maturity Date") or the shareholders unanimously decide to terminate the application of a qualified **[REDACTED]**, whichever is earlier. In November 2022, the Group passed a shareholder's resolution to extend the above Maturity Date to 31 December 2024. The directors of the Company believe there would be no material cash flow impact of the preferred shares before 31 December 2023. After taking into account the above and the Group's cashflow projection and the expected working capital requirements, the directors of the Company are satisfied that the Group is able to meet in full its financial obligations as they fall due for a period of twelve months from 31 December 2022 and it is appropriate to prepare the Historical Financial Information on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied IFRSs, International Accounting Standards ("IASs"), amendments and interpretations issued by the IASB that are effective for the accounting period beginning on 1 January 2022 throughout the Track Record Period.

At the date of this report, IASB has issued the following new and amendments to IFRSs that are not yet effective. The Group has not early adopted these new and amendments to IFRSs.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs—continued

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Veuture[2]
Amendments to IFRS 16	Lease liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

The management of the Group considers that the application of all the new and amendments to IFRSs will have no material impact on the Group's financial position and performance as well as disclosure in foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with IFRSs issued by IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities (including the Consolidated Affiliated Entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Basis of consolidation—continued

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the optional concentration test for acquisitions occurred since 1 January 2019. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets / financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Business combinations or asset acquisitions—continued

Business combinations—continued

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combination in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxe*s and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangement of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Investments in subsidiaries

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less identified impairment loss, if any.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue from contracts with customers—continued

The Group mainly engaged in wholesales of pharmaceutical and healthcare products offline or online through its online platform. The Group also engaged in retail of pharmaceutical and healthcare products through its retail shops. In addition, the Group operates online platform that enable the pharmaceutical distributors and vendors to sell their own pharmaceutical and healthcare products using the Group's online platform.

The Group evaluates whether it is appropriate to record the gross amounts of product sales or services provided and related costs, or the net amount earned as commissions. When the Group is a principal, that the Group obtains control of the specified goods or services before they are transferred to the customers, the revenue should be recognised in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods or services transferred. When the Group is an agent and its obligation is to facilitate third parties in fulfilling their performance obligation for specified goods or services, in which case the Group does not control the specified goods or services provided by third parties before those goods or services are transferred to the customer, the revenue should be recognised in the net amount for the amount of commission which the Group earns in exchange for arranging for the specified goods or services to be provided by other parties.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Timing of revenue recognition may differ from the timing of invoicing to customers. Trade receivables represent amounts invoiced and revenue recognised prior to invoicing when the Group has satisfied the Group's performance obligation and has the unconditional right to payment.

For a sale of products with a right of return/exchange for dissimilar products, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (i.e. contracts related to the software and service), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue from contracts with customers—continued

Contracts with multiple performance obligations (including allocation of transaction price)—continued

allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Specifically, revenue is recognised as follows:

Product Revenue

The Group mainly engaged in wholesales of pharmaceutical and healthcare products offline or online through its online platform. The Group also engaged in retail of pharmaceutical and healthcare products through its retail shops. The Group recognises product revenue on a gross basis as the Group is acting as a principal in these transactions and is responsible for fulfilling the promise to provide the specified goods. Product revenue is recognised upon customers' acceptance of product delivery, net of discounts and return allowances. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities.

The Group also sells smart unmanned pharmaceutical booth to third-party pharmacies and the revenue is recognised upon customers' acceptance of product delivery and installation.

Service Revenue

The service revenue primarily consists of i) commission fees charged to pharmaceutical distributors and vendors participating on the online marketplace through the Group's online platform; ii) service revenue received from third-party pharmacies for the access right granted to them for use of the Group's software; iii) service revenue received from provision of medical testing services to primary healthcare institutions; and iv) service revenue from third-party pharmacies for provision of maintenance and technical support services in relation to the smart unmanned pharmaceutical booth.

As for the commission charged related to the online platform, the Group generally is acting as an agent and its performance obligation is to arrange for the provision of the specified goods or services by those pharmaceutical distributors and vendors. Upon successful sales, the Group charges the pharmaceutical distributors and vendors commission fee revenue based on a certain percentage of sales, net of discounts and return allowances. Commission fee revenue is recognised upon end customers' acceptance of product delivery on a net basis.

As for the service revenue charged related to the one-time usage fee and service fee for the inventory management related SaaS solution provided to the downstream pharmacies, the Group is acting as a principal and its performance obligation is to provide the access right to pharmacies to use the Group's software. Since the pharmacies simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, revenue from the software services therefore are recognised over time on the straight-line base during the service period which less than one year.

As for the service revenue charged related to the medical testing services, the Group is acting as a principal and its performance obligation is to perform the testing and generate testing results to the

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue from contracts with customers—continued

Service Revenue—continued

primary healthcare institutions. The Group recognises revenue at a point in time when the Group delivers the testing results to the primary healthcare institutions.

As for the service revenue charged related to the provision of maintenance and technical support services in relation to the smart unmaned pharmaceutical booth, the Group is acting as a principal and its performance obligation is to provide technical support service. Since the pharmacies simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, revenue are recongised over time on the straight-line base during the service period.

Cost of sales

Cost of sales consists primarily of purchase price of products, transaction processing fees and write-downs of inventories.

The Group periodically receives considerations from certain vendors, representing rebates for products purchased. The rebates are not sufficiently separable from the Group's purchase of the vendors' products and they do not represent a reimbursement of costs incurred by the Group to sell vendors' products. The Group accounts for the rebates received from its vendors as a reduction to the prices it pays for the products purchased and therefore the Group records such amounts as a reduction of carrying value of the inventories for inventories still held by the Group at the end of each reporting period or as a reduction of cost of sales for inventories sold before the end of each reporting period.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

The Group as a lessee—continued

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment;

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

The Group as a lessee—continued

Lease liabilities—continued

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liabilities, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

The Group as a lessee—continued

Lease modifications—continued

Borrowing costs—continued

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefits costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payments transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed using graded vesting method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest,

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Share-based payments—continued

Equity-settled share-based payments transactions—continued

Share options granted to employees—continued

with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

When shares granted are vested, the amount previously recognised in share-based payments reserves will continue to be held in share-based payments reserve.

Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Taxation—continued

The current tax is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Taxation—continued

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives (as below), using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

	Useful lives
Leasehold improvement	Over the term of the lease
Plant and machinery	5 to 10 years
Motor vehicles	5 years
Office equipment	3 to 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives (a below).

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Intangible assets—continued

Intangible assets acquired separately—continued

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

	Useful lives
Licences and franchise	10 years
Business relationship	10 years
Office software	3 to 10 years

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Internally-generated intangible assets—research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Intangible assets—continued

Internally-generated intangible assets—research and development expenditure—continued

above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill—continued

carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined 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 sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments—continued

acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial assets—continued

Classification and subsequent measurement of financial assets—continued

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of each reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in "other income" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amount due from a shareholder, time deposits, restricted bank deposits and bank balances), which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial assets—continued

Impairment of financial assets subject to impairment assessment under IFRS 9—continued

Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as of the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial assets—continued

Impairment of financial assets subject to impairment assessment under IFRS 9—continued

(ii) Definition of default—continued

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial assets—continued

Impairment of financial assets subject to impairment assessment under IFRS 9—continued

(v) Measurement and recognition of ECL—continued

Lifetime ECL for trade and note receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the directors of the Company to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and note receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial liabilities and equity—continued

Classification as debt or equity—continued

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

The convertible preferred shares contain redemption features and/or other embedded derivatives, are designated as financial liabilities at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments—continued

Financial liabilities and equity—continued

Classification as debt or equity—continued

other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible preferred shares, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability. Fair value is determined in the manner described in Note 29.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY—continued

Critical judgement in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Consolidation of affiliated entities

The Group obtained control over PRC domestic companies, Guangzhou Sudao Information Technology Co., Ltd. ("Guangzhou Sudao") and Guangzhou Yaobang Information Technology Co., Ltd. ("Guangzhou Yaobang"), by entering into a series of the contractual arrangements with the PRC domestic companies and their respective Nominee Shareholders (collectively, the "Contractual Arrangements"). Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the PRC domestic companies and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC domestic companies. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among PRC domestic companies and their respective Nominee Shareholders are in compliance with the relevant PRC Laws and are legally enforceable.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from each reporting date.

Impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are carried at cost less accumulated depreciation and impairment, if any. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management of the Group has to exercise judgement and make assumptions, particularly when assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the value in use included in the cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating-unit to which the assets belong, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the underlying assumptions and key inputs, including but not limited to the forecasted revenue, gross profit margins and discount rates, in the cash flow projections, could materially affect the estimated recoverable amounts.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY—continued

Key sources of estimation uncertainty—continued

Impairment of property, plant and equipment, right-of-use assets and intangible assets—continued

Determining whether property, plant and equipment, right-of-use assets and intangible assets are impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which property, plant and equipment, right-of-use assets and intangible assets have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties due to uncertainty on how the Covid-19 pandemic may progress and evolve.

During the Track Record Period, no impairment loss was recognsied for property, plant and equipment, right-of-use assets and intangible assets. As at 31 December 2020, 2021 and 2022, the aggregate carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are approximately RMB282,889,000, RMB387,908,000 and RMB362,913,000. Details of the recoverable amount calculation are disclosed in Note 15.

Fair value of financial liabilities at FVTPL

The Group has issued a series of preferred shares to certain investors prior to and during the Track Record Period as set out in Note 29. The Group recognised the preferred shares as financial liabilities at FVTPL and the fair value is determined based on significant unobservable inputs using valuation techniques. The fair value of the financial instruments is established by using valuation techniques, which include back-solve method and equity allocation based on the Black-Scholes Option Pricing Model ("OPM") 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. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as fair value of the ordinary shares of the Company, possibilities under different scenarios, such as qualified **[REDACTED]**, redemption, liquidation and other inputs, such as time to liquidation or redemption, risk-free interest rate, expected volatility value and dividend yield, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary.

Should any of the estimates and assumptions change, it may lead to material adjustments in the fair value of financial liabilities at FVTPL. The fair value of the financial liabilities at FVTPL of the Group as at 31 December 2020, 2021 and 2022 are approximately RMB2,931,012,000, RMB4,222,381,000 and RMB5,872,042,000, respectively.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6. REVENUE AND SEGMENT INFORMATION

The Group engaged in i) wholesales of pharmaceutical and healthcare products offline or online through its online platform; ii) retail of pharmaceutical and healthcare products through its retail shops; iii) operating online platform that enable the pharmaceutical distributors and vendors to sell their own pharmaceutical and healthcare products using the Group's online platform; iv) providing SaaS solution to downstream pharmacies to streamline their inventory management; v) providing medical testing services to primary healthcare institutions; vi) selling smart unmanned pharmaceutical booth to third-party pharmacies; and vii) providing maintenance and technical support services in relation to the smart unmanned pharmaceutical booth to third-party pharmacies.

(a) Disaggregation of revenue from contracts with customers

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Type of goods or services:			
Self-operation business (Note (i))	5,691,414	9,589,512	13,519,017
Online marketplace services (Note (ii))	372,716	489,247	694,204
Others (Note (iii))	777	14,779	61,589
Total	6,064,907	10,093,538	14,274,810
Timing of revenue recognition:			
At a point in time	6,064,130	10,089,821	14,268,376
Over-time	777	3,717	6,434
Total	6,064,907	10,093,538	14,274,810

Notes:

i) The Group sells pharmaceutical and healthcare products mainly to pharmacies and primary healthcare institutions.

ii) The marketplace services revenue represents the commission received by the Group from distributors and vendors using the Group's online platform, which is recognised upon end customers' acceptance and is charged based on a certain percentage of sales, net of discounts and return allowances made by the distributors and vendors through the Group's online platform.

iii) Others includes -

1) The Group collects one-time usage fee and service fee for the inventory management related to the SaaS solution provided to the downstream pharmacies, which helps pharmacies to streamline their inventory management.
2) The Group provides diagnostic testing services and generates testing results to primary healthcare institutions.
3) The Group sells smart unmanned pharmaceutical booth to third-party pharmacies and also provides maintenance and technical support services in relation to the smart unmanned pharmaceutical booth to them.

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts with customers are for period of one year or less. As permitted by IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(c) Segment information

Information is reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group's accounting policies described in Note 4. No other analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial position of the Group as a whole. Accordingly,

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6. REVENUE AND SEGMENT INFORMATION—continued

(c) Segment information—continued

the CODM has identified one operating segment and only entity-wide disclosures, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

(d) Geographic information

The Group principally operates in the PRC, which is also the place of domicile. The Group's revenue is all derived from operations in the PRC during the Track Record Period and the Group's non-current assets are all located in the PRC.

(e) Information about major customers

During the Track Record Period, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue.

7. OTHER INCOME

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Government grants (Note)	4,302	14,043	23,171
Bank interest income	25,307	27,900	42,657
Investment income from financial assets at FVTPL	11,372	17,870	19,981
Others	3,315	2,652	3,111
	44,296	62,465	88,920

Note: It represented cash received from local government to encourage the business operations in the PRC. Unconditional government grants are recognised in profit and loss when received while conditional government grants are recognised in profit or loss when the Group fulfilled the conditions.

8. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
(Losses) gains on disposal of property, plant and equipment	(99)	12	38
Gain on disposal of subsidiaries (Note 40)	—	—	1,344
Donations (Note)	(1,000)	(660)	(132)
Net foreign exchange (losses) gains	(742)	(5,900)	18,715
Impairment loss on prepayment to suppliers	(12,376)	(2,075)	—
	(14,217)	(8,623)	19,965

Note: During the year ended 31 December 2020 and 2021, the Group made a cash donation of RMB1,000,000 to the Wuhan Charity Federation, RMB600,000 to a student public fund in Beijing and RMB60,000 to poverty alleviation projects, respectively.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9. FINANCE COSTS

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Interest expense on lease liabilities	7,499	8,068	9,710
Interest expense on bank borrowings	2,802	426	521
	10,301	8,494	10,231

10a. INCOME TAX CREDIT (EXPENSE)

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
PRC Enterprise Income Tax ("EIT"):			
Current tax	—	—	—
Deferred tax (Note 10b)	(4,561)	(1,454)	3,171
	(4,561)	(1,454)	3,171

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is exempted from the Cayman Islands income tax.

No provision for Hong Kong Profits Tax has been made in the Historical Financial Information as the Group had no assessable profit subject to Hong Kong Profits Tax for the Track Record Period.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC EIT rate of subsidiaries of the Group operating in the PRC was 25% for the Track Record Period.

Certain PRC subsidiaries of the Group are subject to "small and thin-profit enterprises" will benefit from a preferential tax rate of 20% under the EIT Law. Accordingly, the qualifying group 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. For the years ended 31 December 2021 and 2022, the qualifying group entities enjoyed 87.5% reduction on annual taxable income on first RMB1,000,000 and 50% and 75% reduction between the annual taxable income of RMB1,000,000 to RMB3,000,000, respectively. As a result, such PRC subsidiaries were eligible for a preferential enterprise income tax rate for their respective tax holiday.

Certified high and new technology enterprises ("HNTE") are entitled to a preferential tax rate of 15%. Guangzhou Sudao and Guangzhou Sudaoyi Information Technology Co., Ltd. ("Guangzhou Sudaoyi") have been qualified as a HNTE and enjoyed a preferential income tax rate of 15% since 2019 and 2021, respectively, which is subject to review and renewal every three years. The HNTE Certificate of Guangzhou Sudao remains valid for 3 years from 2019 to 2021 and expired in 2022. The HNTE Certificate of Guangzhou Sudaoyi remains valid for 3 years from 2021 to 2023 and will be expired in 2024. In addition, Guangzhou Sudao, Guangzhou Sudaoyi, Guangzhou Leyao Information Technology Co., Ltd., Guangzhou Yuewei Medical Laboratory Co., Ltd. ("Guangzhou Yuewei"), Guangzhou Xiaoweicang Intelligent Pharmacy Technology Co., Ltd., Guangzhou Guangpu Health

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10a. INCOME TAX CREDIT (EXPENSE)—continued

Technology Co., Ltd. and Guangzhou Yaobang enjoyed super deduction of 175% and 200% of qualifying 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.

Income tax credit (expense) for the Track Record Period can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Loss before tax	(576,272)	(503,074)	(1,496,867)
Tax at PRC EIT rate of 25%	(144,068)	(125,769)	(374,217)
Tax effect of super deduction for research and development expenses (Note a)	(3,970)	(9,470)	(16,721)
Tax effect of expenses not deductible for tax purpose (Note b)	84,332	48,271	353,160
Tax effect of tax losses not recognised	63,977	114,337	122,466
Utilisation of tax losses previously not recognised	(4,986)	(25,634)	(81,534)
Effect on different tax rate of a subsidiary operating in other jurisdiction	(196)	(522)	—
Others	350	(2,667)	17
Income tax credit (expense) for the year	(4,561)	(1,454)	3,171

Note:

(a) The eligible expenditures represent research and development costs incurred in the PRC and charged to profit or loss, which is subject to an additional 75% and 100% tax deduction in the calculation of income tax expense for the Track Record Period.

(b) The non-deductible expenses mainly represent changes in fair value of financial liabilities at FVTPL.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10a. INCOME TAX CREDIT (EXPENSE)—continued

As at 31 December 2020, 2021 and 2022, the Group had unused tax losses of approximately RMB1,058,188,000, RMB1,366,795,000 and RMB1,510,546,000, respectively, available for offset against future profits. Due to the unpredictability of future profit streams, no deferred tax asset had been recognised for these unused tax losses. Included in the unrecognised tax losses are losses of approximately RMB1,058,188,000, RMB1,366,795,000 and RMB1,510,546,000 as at 31 December 2020, 2021 and 2022 with expiry dates as disclosed in the following table. With effect from 1 January 2018, unused tax losses occurred five years prior to the year in which the entity becomes qualified as an HNTE shall be allowed to be carried forward to subsequent years, and the maximum carry-forward period of such tax losses shall be extended from 5 years to 10 years.

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
2021	8,412	—	—
2022	10,261	10,261	—
2023	16,614	16,537	16,537
2024	203,093	202,649	188,318
2025	281,656	234,825	175,671
2026	45,775	422,873	330,319
2027	72,051	31,684	488,568
2028	157,673	157,673	—
2029	262,653	262,653	136,361
2030	—	27,640	85,535
2031	—	—	89,237
	1,058,188	1,366,795	1,510,546

10b. DEFERRED TAXATION

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Deferred tax assets	1,775	3,152	1,584
Deferred tax liabilities	(432)	(1,745)	(3,348)
	1,343	1,407	(1,764)

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10b. DEFERRED TAXATION—continued

The following are the major deferred tax liabilities and assets recognised and movements thereon during the Track Record Period:

	Fair value adjustment in business combination	ECL provision	Inventory provision	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 January 2020	(4,165)	366	581	(3,218)
Credit to profit or loss	469	3,882	210	4,561
At 31 December 2020	(3,696)	4,248	791	1,343
Credit to profit or loss	493	961	—	1,454
Acquisition of a subsidiary (Note 36)	(1,390)	—	—	(1,390)
At 31 December 2021	(4,593)	5,209	791	1,407
Credit (charge) to profit or loss	609	(4,174)	394	(3,171)
At 31 December 2022	(3,984)	1,035	1,185	(1,764)

11. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Cost of inventories recognised as an expense	5,390,897	9,093,049	12,677,901
Depreciation of property, plant and equipment	27,838	35,951	43,429
Depreciation of right-of-use assets	46,753	57,131	76,562
Amortisation of intangible assets	7,809	9,177	15,036
Write down (reversal of write down) for obsolete inventories	9,967	(298)	1,576
Auditors' remunerations	86	95	101
[REDACTED]	—	4,354	36,865
Staff costs:			
Directors' emoluments (Note 12)	1,182	10,790	28,639
Other staff costs			
—Salaries and other allowances	473,054	670,361	897,841
—Contributions to retirement benefits scheme	3,697	40,005	45,500
—Equity-settled share-based expense	—	17,155	16,620
Total staff costs	477,933	738,311	988,600

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the directors of the Company (including emoluments for services as employees/directors of group entities comprising the Group prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period are as follows:

	For the year ended 31 December 2020				
Name	Fee	Salaries and allowances	Performance related bonus	Retirement benefits scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Buzhen Zhang (Note i)	—	359	144	5	508
Ms. Xiaoye Xu (Note ii)	—	473	200	1	674
Ms. Xiaohong Chen (Note iii)	—	—	—	—	—
Mr. Frank Lin (Note vii)	—	—	—	—	—
Mr. Lei Fu (Note iii)	—	—	—	—	—
Mr. Fei Luo (Note iii)	—	—	—	—	—
Mr. Jiahao Shao (Note iv)	—	—	—	—	—
Mr. Jiangwei Wang (Note iii)	—	—	—	—	—
Mr. Pengfei Wang (Note iii)	—	—	—	—	—
Mr. Tian Cheng (Note iv)	—	—	—	—	—
	—	832	344	6	1,182

	For the year ended 31 December 2021					
Name	Fee	Salaries and allowances	Performance related bonus	Retirement benefits scheme contributions	Equity-settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Buzhen Zhang (Note i)	—	598	150	17	—	765
Ms. Xiaoye Xu (Note ii)	—	826	400	17	5,239	6,482
Ms. Yanhua Hu (Note v)	—	1,221	350	4	1,968	3,543
Ms. Xiaohong Chen (Note iii)	—	—	—	—	—	—
Mr. Frank Lin (Note vii)	—	—	—	—	—	—
Mr. Lei Fu (Note iii)	—	—	—	—	—	—
Mr. Fei Luo (Note iii)	—	—	—	—	—	—
Mr. Jiahao Shao (Note iv)	—	—	—	—	—	—
Mr. Jiangwei Wang (Note iii)	—	—	—	—	—	—
Mr. Pengfei Wang (Note iii)	—	—	—	—	—	—
Mr. Tian Cheng (Note iv)	—	—	—	—	—	—
Mr. Ziyang Zhu (Note vi)	—	—	—	—	—	—
	—	2,645	900	38	7,207	10,790

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS—continued

Directors' and chief executive's emoluments—continued

	For the year ended 31 December 2022					
Name	Fee	Salaries and allowances	Performance related bonus	Retirement benefits scheme contributions	Equity-settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Buzhen Zhang (Note i)	—	630	1,006	34	—	1,670
Ms. Xiaoye Xu (Note ii)	—	968	1,000	23	4,684	6,675
Mr. Fei Chen(Note viii)	—	1,604	900	—	15,299	17,803
Ms. Xiaohong Chen (Note iii)	—					
Ms. Yanhua Hu (Note v)	—	275	—	2	2,214	2,491
Mr. Frank Lin (Note vii)	—	—	—	—	—	—
Mr. Lei Fu (Note iii)	—	—	—	—	—	—
Mr. Fei Luo (Note iii)	—	—	—	—	—	—
Mr. Jiangwei Wang (Note iii)	—	—	—	—	—	—
Mr. Pengfei Wang (Note iii)	—	—	—	—	—	—
Mr. Ziyang Zhu (Note vi)	—	—	—	—	—	—
	—	3,477	2,906	59	22,197	28,639

The directors' emoluments shown above were for their services in connection with the management affairs of the Group.

Notes:

(i) Mr. Buzhen Zhang acts as chief executive of the Company throughout the Track Record Period and his emoluments disclosed above included those for services rendered by him as the chief executive in management of the affairs of the group entities. Mr. Buzhen Zhang has been redesignated as executive director of the Company on 15 April 2022.

(ii) Ms. Xiaoye Xu has been resigned from the director of the Company on 15 April 2022.

(iii) Ms. Xiaohong Chen, Mr. Lei Fu, Mr. Fei Luo, Mr. Jiangwei Wang and Mr. Pengfei Wang have been resigned from the directors of the Company on 15 April 2022.

(iv) Mr. Jiahao Shao and Mr. Tian Cheng have been resigned from the directors of the Company on 23 November 2021 and 1 February 2021, respectively.

(v) Ms. Yanhua Hu was appointed as the director of the Company on 23 November 2021 and has been resigned from the director of the Company on 15 April 2022.

(vi) Mr. Ziyang Zhu was appointed as the director of the Company on 1 February 2021 and has been redesignated as non-executive director of the Company on 15 April 2022.

(vii) Mr. Frank Lin has been redesignated as non-executive director of the Company on 15 April 2022.

(viii) Mr. Fei Chen was appointed as the executive director of the Company on 15 April 2022.

Ms. Rong Shao, Mr. Sam Hanhui Sun, and Mr. Hongqiang Zhao were appointed as the independent non-executive directors of the Company on 15 April 2022, with their appointments becoming effective upon the listing of the shares of the Company on the Stock Exchange (the "Listing").

The performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

None of the directors nor chief executive waived or agreed to waive any emoluments during the Track Record Period.

Employees' emoluments

The five highest paid individuals of the Group included nil, two, and three directors whose emoluments are included in the disclosures above for each of the years ended 31 December 2020, 2021

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS—continued

Employees' emoluments—continued

and 2022. The emoluments of the remaining five, three, and two individuals for each of the years ended 31 December 2020, 2021 and 2022, respectively, are as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Salaries and allowances	2,617	2,057	2,201
Performance related bonus	2,383	808	1,600
Contributions to retirement benefits scheme	9	51	42
Equity-settled share-based expense	—	6,451	2,255
	5,009	9,367	6,098

The performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

The emoluments of the five highest paid individuals, other than directors, were within the following bands:

	Number of employees		
	Year ended 31 December		
	2020	2021	2022
Nil to HK$1,000,000	3	—	—
HK$1,000,001 to HK$1,500,000	1	—	—
HK$1,500,001 to HK$2,000,000	—	1	—
HK$2,000,001 to HK$2,500,000	1	—	—
HK$2,500,001 to HK$3,000,000	—	—	1
HK$3,000,001 to HK$3,500,000	—	1	—
HK$4,000,001 to HK$4,500,000	—	—	1
HK$6,000,001 to HK$6,500,000	—	1	—
	5	3	2

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

No dividends had been paid or declared by the Company or its subsidiaries during the Track Record Period.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. LOSS PER SHARE

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Loss for the year attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share	(571,711)	(494,041)	(1,488,688)

	No. of shares		
	2020	2021	2022
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	[125,316,184]	[125,316,184]	[125,316,184]

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share has been determined on the assumption that the Share Subdivision (as defined and detailed in note 43) had been effected since 1 January 2020.

The computation of diluted loss per share for the years ended 31 December 2020, 2021 and 2022 does not assume conversion of the convertible preferred shares or the exercise of share options since their assumed conversion or exercise would result in a decrease in loss per share.

15. PROPERTY, PLANT AND EQUIPMENT, NET

	Leasehold improvement	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2020	69,248	11,990	1,632	17,133	1,948	101,951
Additions	12,285	5,991	203	3,481	394	22,354
Transfer	2,311	31	—	—	(2,342)	—
Disposals	—	(74)	(134)	(831)	—	(1,039)
At 31 December 2020	83,844	17,938	1,701	19,783	—	123,266
Additions	37,718	16,288	533	11,358	1,099	66,996
Acquired on acquisition of a subsidiary (Note 36)	—	—	—	239	583	822
Transfer	1,334	348	—	—	(1,682)	—
Disposals	—	(3,741)	(184)	(2,570)	—	(6,495)
At 31 December 2021	122,896	30,833	2,050	28,810	—	184,589
Additions	12,925	14,941	2,776	5,592	2,614	38,848
Transfer	1,266	—	—	—	(1,266)	—
Disposals	(4,286)	(1,675)	(657)	(3,813)	—	(10,431)
Disposed on disposal of subsidiaries	(715)	(3)	—	—	—	(718)
At 31 December 2022	132,086	44,096	4,169	30,589	1,348	212,288
ACCUMULATED DEPRECIATION						
At 1 January 2020	(10,937)	(976)	(162)	(4,957)	—	(17,032)
Provided for the year	(19,100)	(4,237)	(236)	(4,265)	—	(27,838)
Eliminated on disposals	—	8	2	285	—	295
At 31 December 2020	(30,037)	(5,205)	(396)	(8,937)	—	(44,575)
Provided for the year	(22,786)	(5,912)	(687)	(6,566)	—	(35,951)
Eliminated on disposals	—	1,638	140	1,284	—	3,062
At 31 December 2021	(52,823)	(9,479)	(943)	(14,219)	—	(77,464)

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15. PROPERTY, PLANT AND EQUIPMENT, NET—continued

	Leasehold improvement	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provided for the year	(25,515)	(9,314)	(1,186)	(7,414)	—	(43,429)
Eliminated on disposals	2,692	1,101	621	2,369	—	6,783
Eliminated on disposal of subsidiaries	83	—	—	—	—	83
At 31 December 2022	(75,563)	(17,692)	(1,508)	(19,264)	—	(114,027)
CARRYING VALUES						
At 31 December 2020	53,807	12,733	1,305	10,846	—	78,691
At 31 December 2021	70,073	21,354	1,107	14,591	—	107,125
At 31 December 2022	56,523	26,404	2,661	11,325	1,348	98,261

Impairment assessment

Giving the continuous losses incurred in the Group's operation during the Track Record Period, the management concluded there was indication for impairment and performed impairment assessment on its property, plant and equipment, right-of-use assets and intangibles assets. As at 31 December 2020, 2021 and 2022, management identified property, plant and equipment, right-of-use assets and intangibles assets of certain subsidiaries with impairment indicators at net book value amounted to approximately RMBnil, RMB80,475,000 and RMB7,287,000, respectively.

The Group estimates 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 as set out in Note 18 have been allocated to two individual cash-generating units, comprising two subsidiaries, Guangdong Dihao Pharmaceutical Co., Ltd. ("Guangdong Dihao") and Guangdong Dongjian Pharmaceutical Co., Ltd. ("Guangdong Dongjian").

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 the management of the Group covering the following 5 years with pre-tax discount rates of 16%, 16% and 16% as at 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. The Group considered that there are no material changes in the market data and company specific risk throughout the Track Record Period, the same discount rate of 16% was used by the Group throughout the Track Record Period. The cash flows beyond the five-year period are extrapolated using 3% growth rate. Management believes 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 at 31 December 2020, 2021 and 2022 have been reassessed taking into consideration of the higher degree of estimation uncertainties in due to uncertainty on how the Covid-19 pandemic may progress and evolving and volatility in financial markets, including potential disruptions of the Group's wholesales operations.

Based on the result of the assessment, management of the Group determined that the recoverable amounts of all cash-generating units are higher than the corresponding carrying amounts as

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15. PROPERTY, PLANT AND EQUIPMENT, NET—continued

Impairment assessment—continued

at 31 December 2020, 2021 and 2022. Therefore, no impairment loss was recognised for each of the years ended 31 December 2020, 2021 and 2022.

The Group performed sensitivity test by increasing 1% of pre-tax discount rate or decreasing 1% of long-term growth rate, which are the key assumptions determine 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 for 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% for the Track Record Period.

Management believes 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.

16. RIGHT-OF-USE ASSETS

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Carrying amounts:			
Leased properties	141,514	168,216	165,749

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Depreciation recognised in profit or loss:			
Leased properties	46,753	57,131	76,562

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Expense relating to short-term leases	1,605	3,237	5,418
Total cash outflow for leases	53,690	64,816	90,404
Additions to right-of-use assets	40,594	83,358	74,095

The Group leases various warehouses, offices and offline pharmacies for its operation. Lease contracts are entered into fixed term of 2 to 6 years with fixed payments. The Group does not have the option to purchase leased properties for a nominal amount at the end of the relevant lease terms or any extension/termination options that are solely at the Group's discretion. The Group determines the lease period to be the non-cancellable period based on the contractual terms of the contract.

In addition, the Group also entered into short-term leases for warehouses and office workplace. As at 31 December 2020, 2021 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor leased assets may not be used as security for borrowing purpose.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17. INTANGIBLE ASSETS

	Licenses and franchise	Business relationship	Office software	Total
	RMB'000 (Note (i))	RMB'000 (Note (ii))	RMB'000 (Note (iii))	RMB'000
COST				
At 1 January 2020	52,759	9,340	5,259	67,358
Additions	—	—	1,413	1,413
Acquired on acquisition of assets (Note 36)	7,470	—	—	7,470
Disposals	—	—	(230)	(230)
At 31 December 2020	60,229	9,340	6,442	76,011
Additions	51,532	—	1,970	53,502
Acquired on acquisition of a subsidiary (Note 36)	5,558	—	—	5,558
At 31 December 2021	117,319	9,340	8,412	135,071
Additions	—	—	4,861	4,861
Disposed on disposal of a subsidiary	(5,300)	—	—	(5,300)
At 31 December 2022	112,019	9,340	13,273	134,632
AMORTISATION				
At 1 January 2020	(3,843)	(1,083)	(618)	(5,544)
Charge for the year	(5,222)	(1,300)	(1,287)	(7,809)
Eliminated on disposals	—	—	26	26
At 31 December 2020	(9,065)	(2,383)	(1,879)	(13,327)
Charge for the year	(6,543)	(1,300)	(1,334)	(9,177)
At 31 December 2021	(15,608)	(3,683)	(3,213)	(22,504)
Charge for the year	(11,208)	(1,300)	(2,528)	(15,036)
Eliminated on disposal of a subsidiary	1,811	—	—	1,811
At 31 December 2022	(25,005)	(4,983)	(5,741)	(35,729)
CARRYING VALUES				
At 31 December 2020	51,164	6,957	4,563	62,684
At 31 December 2021	101,711	5,657	5,199	112,567
At 31 December 2022	87,014	4,357	7,532	98,903

Notes:

i The licences acquired by the Group from the independent third parties from 2018 to 2021 are for pharmaceutical distribution and health inspection. The license acquired by the Group from the independent third parties in 2021 is for the medical institution practice license for the medical testing business. The directors of the Company determined the useful life of 10 years of the licenses and franchise with reference to the comparable transactions in the open market.

ii The business relationship was acquired through acquisition of a subsidiary, Guangdong Dongjian on 27 February 2019. With reference to experience in the industry, historical customer retention rate and the useful life of business relationships used by industry peers, the directors of the Company assumed 10 years useful life of the business relationship.

iii The directors of the Company determined the useful life of office software with reference to the term of outstanding contract.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. GOODWILL

	Acquisition of Guangdong Dihao	Acquisition of Guangdong Dongjian	Total
	RMB'000	RMB'000	RMB'000
COST			
At 31 December 2020, 2021 and 2022	3,924	5,328	9,252
CARRYING VALUES			
At 31 December 2020, 2021 and 2022	3,924	5,328	9,252

For the purposes of impairment testing, goodwill have been allocated to two individual cash-generating units, comprising two subsidiaries, Guangdong Dihao and Guangdong Dongjian. The carrying amounts of goodwill allocated to these two subsidiaries as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Guangdong Dihao	3,924	3,924	3,924
Guangdong Dongjian	5,328	5,328	5,328
	9,252	9,252	9,252

In addition to goodwill above, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective cash-generating unit for the purpose of impairment assessment. Details of the recoverable amount calculation are disclosed in Note 15.

19. INVENTORIES

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Pharmaceutical and healthcare products	529,111	860,547	1,030,451
Less: impairment provision	(13,005)	(12,707)	(14,283)
	516,106	847,840	1,016,168

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

20. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Trade receivables	104,285	116,692	139,215
Less: allowance for credit losses	(4,616)	(6,385)	(4,657)
	99,669	110,307	134,558
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 (Note)	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

Note: The amounts represented the payments received from online customers of Self-operation business which would deposit in escrow account and subsequently withdraw by the Group upon the customers' acceptance of product delivery.

The Company

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Deferred issue costs	—	1,451	5,854
Others	—	34	567
	—	1,485	6,421

Trade receivables

The Group applies the simplified approach under IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. Collective assessment is performed by grouping debtors based on the Group's internal credit ratings and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

As at 1 January 2020, trade and note receivables from contracts with customers amounted to approximately RMB369,695,000.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

20. TRADE AND OTHER RECEIVABLES—continued

Trade receivables—continued

The Group requires full payment in advance for its online product sales, certain offline product sales and retail sales. For other customers, the Group primarily allows a credit period from 15 to 30 days. Trade receivables are settled in accordance with the terms of the respective contracts. Aging analysis of trade receivables based on invoice date is as follows:

	As of 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
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
	104,285	116,692	139,215
Less: allowance for credit losses	(4,616)	(6,385)	(4,657)
	99,669	110,307	134,558

Note receivables are trade receivables supported by bank acceptance notes and the average ageing is within 2 to 12 months based on the received date and have a maturity period of less than one year, which management believes that no impairment allowance is necessary as there is no significant change in credit quality and the balances are considered fully recoverable. As at 31 December 2020, 2021 and 2022, the amounts of RMB159,924,000, RMB10,355,000 and RMB28,209,000 note receivables were endorsed to settle trade payables and the amount of RMB90,983,000, nil and nil were discounted to bank respectively, which were not derecognised until the maturity date of the endorsed and discounted notes.

As at 31 December 2020, 2021 and 2022, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB18,989,000, RMB41,742,000 and RMB19,519,000 which are past due as at the reporting date. Out of the past due balances approximately RMB8,248,000, RMB24,889,000 and RMB8,646,000 have been past due over 90 days or more and are not considered as in default as there has not been a significant change in credit quality and amounts are still considered as recoverable based on historical experience. The Group does not hold any collateral over these balances.

Details of impairment assessment are set out in Note 34.

21. FINANCIAL ASSETS AT FVTPL

As at 31 December 2020, 2021 and 2022, the Group and the Company's financial assets at FVTPL represented structured deposits of approximately RMB344,600,000, RMB512,882,000 and RMB711,076,000 and nil, RMB242,276,000 and RMB60,654,000, respectively, which were non-principal protected deposits placed in banks in the PRC. The return of the structured deposits was determined by reference to the return of their underlying investments. The structured deposit as at 31 December 2020, 2021 and 2022 have no fixed contractual period, they can be redeemed any time at the Group and the Company's discretion.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21. FINANCIAL ASSETS AT FVTPL—continued

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 FVTPL. Details of the fair value measurement over the structured deposits are disclosed in Note 34.

22. AMOUNT DUE FROM A SHAREHOLDER

The balances are interest-free, non-trade related, unsecured and repayable on demand. In the opinion of directors of the Company, the balance is expected to be fully settled prior to the Listing.

Details of impairment assessment are set out in Note 34.

23. TIME DEPOSITS

The Group

	As of 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Time deposits with original maturity of three months or less	—	31,879	—
Time deposits with original maturity of more than three months	580,164	675,573	370,487
	580,164	707,452	370,487
Presented as:			
Current	76,204	243,899	320,487
Non-current	503,960	463,553	50,000
	580,164	707,452	370,487

	As of 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Time deposits denominated in foreign currency:			
US$	16,312	31,879	—

The Company

	As of 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Time deposits with maturity of more than three months but less than one year	16,312	—	—
Time deposits denominated in foreign currency:			
US$	16,312	—	—

As at 31 December 2020, 2021 and 2022, the Group's time deposits of approximately RMB513,892,000, RMB399,773,000 and RMB290,487,000 were held in designated bank accounts for issuance of bank acceptance notes.

The Group and the Company's time deposits are bank deposits and redeemable on maturity. The weight-average interest rates of the time deposits were 3.89%, 3.85% and 4.01% per annum as at 31 December 2020, 2021 and 2022, respectively.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23. TIME DEPOSITS—continued

The Company—continued

Details of impairment assessment are set out in Note 34.

24. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank deposits represents deposits held in designated bank accounts for issuance of bank acceptance notes. The restricted bank deposits carry interest rate ranging from 1% to 2.5%, 1% to 2.5% and 0.25% to 2.5% per annum as at 31 December 2020, 2021 and 2022, respectively.

Bank balances and cash consists of balance with banks and cash on hand. Bank balances carry interest at prevailing market rates.

Details of impairment assessment are set out in Note 34.

25. TRADE AND OTHER PAYABLES

The Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
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 (Note b)	—	223,338	—
Deposits received (Note a)	301,967	32,270	1,069
Accrued issued costs and **[REDACTED]**	—	2,857	15,052
	1,832,620	1,929,826	2,398,078

Notes:

(a) Deposits received mainly represented the collection of sales proceeds on behalf of the pharmaceutical distributors and vendors from third parties pharmacies for the online marketplace business and to be refunded to the respective pharmaceutical distributors and vendors.

(b) Balance represented deposits received from two investors of Series E-2 Preferred Shares as defined in Note 29, which will be returned to the investors after they make a full payment for the number of Series E-2 Preferred Shares subscribed. The subscription payment has been received by the Company in April 2022 and the related deposits have been returned to the investors accordingly.

The Company

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Accrued issued costs and **[REDACTED]**	—	2,857	15,052
Others	—	—	403
	—	2,857	15,455

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25. TRADE AND OTHER PAYABLES—continued

The Company—continued

Trade payables

The credit period of trade payables is ranging from 30 to 90 days. An ageing analysis of the trade payables based on the invoice date at the end of each reporting period is as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
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
	630,790	782,566	1,433,487

26. CONTRACT LIABILITIES

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Receipts in advances from customers	39,961	9,373	24,434

As at 1 January 2020, contract liabilities amounted to approximately RMB74,478,000.

The Group generally requires advance payments from certain of its customers before delivery of goods. This will give rise to a contract liability at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount received.

The following table shows how much of the revenue recognised for the years ended 31 December 2020, 2021 and 2022 relates to the contract liabilities at the beginning of the year:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Revenue recognised during the year	74,478	39,961	9,373

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

27. LEASE LIABILITIES

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Lease liabilities payable:			
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	—	—
	151,882	181,729	180,548
Less: Amount due for settlement within 12 months shown under current liabilities	(47,239)	(63,945)	(81,178)
Amount due for settlement after 12 months shown under non-current liabilities	104,643	117,784	99,370

When recognising the lease liabilities for leases, the Group has applied incremental borrowing rates of the relevant group entities at the leases commencement/modification dates. The weighted average incremental borrowing rates applied by the relevant group entities are 4.75% per annum.

28. BANK BORROWINGS

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Bank loan	6,000	—	—
Advance from banks on discounted note receivables with recourse repayable within one year	90,983	—	—
	96,983	—	—
Analysed as:			
Unsecured	96,983	—	—
	96,983	—	—
Carrying amounts repayable within one year and shown under current liabilities	96,983	—	—

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Effective interest rate:			
Unsecured bank loan carried interest at fixed rate	3.05%	N/A	N/A
Advance from banks on discounted note receivables with recourse	2.05%-2.50%	N/A	N/A

All of the borrowings are denominated in RMB which is the same as the functional currency of the corresponding group entities.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29. FINANCIAL LIABILITIES AT FVTPL

Preferred Shares

Before the completion of group reorganisation, Guangzhou Sudao is authorised to issue 9,553,770 preferred shares ("Preferred Shares") for different preferred shares series, of which 1,142,857, 2,459,183, 2,112,245, 1,533,334, and 2,306,151 authorised Preferred Shares were designated as Series Seeds Preferred Shares, Series A Preferred Shares, Series B Preferred Shares, Series C1 Preferred Shares, and Series C2 Preferred Shares respectively. Upon the completion of the group reorganisation and Contractual Arrangement on 7 December 2018, the existing Series Seeds to C-2 Preferred Shares of Guangzhou Sudao subscribe in the same proportions, on an as-converted basis, as the percentage of equity interest held in Guangzhou Sudao to effectively mirror shareholding and rights of the Series Seeds to C-2 Preferred Shares of Guangzhou Sudao to the Company.

As at 7 December 2018, the Company is authorised to issue 95,590,300 preferred shares of US$0.00001 par value per share, of which 7,450,427, 16,031,719, 13,769,989, 9,995,994, 15,034,085 and 33,308,086 authorised Preferred Shares were designated as Series Seeds Preferred Shares, Series A Preferred Shares, Series B Preferred Shares, Series C1 Preferred Shares, Series C2 Preferred Shares and Series D Preferred Shares, respectively. Total 5,520,607 preferred shares in Guangzhou Sudao were succeeded by the preference shares of the Company in 2019 with the total original consideration of RMB5,521,000. The Company is authorised to issue 31,021,547 preferred shares of US$0.00001 par value per share designed as Series E Preferred Shares in 2021. During the year ended 31 December 2021, 20,829,389 Series E Preferred Shares were issued by the Company with consideration of RMB1,162,673,000. During the year ended 31 December 2022, 6,386,578 Series E Preferred Shares were issued by the Company with consideration of RMB350,161,000.

Preferred Shares issued in Guangzhou Sudao:

Preferred Shares	Currency	Year of issue	Number of investor(s)	Total number of Preferred Shares issued	Average subscription price per Preferred Share	Total Consideration
					RMB	RMB
Series Seeds	RMB	2015	4	1,142,857	14.00	16,000,000
Series A	RMB	2016	6	2,459,183	23.59	58,000,000
Series B	RMB	2016	7	2,112,245	51.13	108,000,000
Series C						
—*Tranche 1*	RMB	2018	2	594,558	100.92	60,000,000
—*Tranche 1*	US$	2018	1	938,776	106.52	100,000,000
—*Tranche 2*	US$	2018	2	2,306,151	121.19	279,480,000
				9,553,770		621,480,000

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29. FINANCIAL LIABILITIES AT FVTPL—continued

Preferred Shares—continued

Preferred Shares of Guangzhou Sudao succeeded by the preference shares of the Company for Series Seeds to Series C and Preferred Shares issued by the Company for Series D and Series E:

Preferred Shares	Currency	Year of transfer or issue	Number of investor(s)	Total number of Preferred Shares issued	Average subscription price per Preferred Share	Total Consideration
					RMB	RMB
Series Seeds	RMB	2018	2	1,862,605	2.15	4,000,000
Series Seeds (Note)	RMB	2019	2	5,587,822	2.15	12,000,000
				7,450,427		16,000,000
Series A	RMB	2018	4	3,951,385	3.76	14,850,000
Series A (Note)	RMB	2019	2	12,080,334	3.57	43,150,000
				16,031,719		58,000,000
Series B	RMB	2018	4	1,020,003	7.84	8,000,000
Series B (Note)	RMB	2019	3	12,749,986	7.84	100,000,000
				13,769,989		108,000,000
Series C						
- *Tranche 1* (Note)	RMB	2019	2	3,875,997	15.48	60,000,000
- *Tranche 1*	US$	2018	1	6,119,997	16.34	100,000,000
- *Tranche 2*	US$	2018	2	15,034,085	18.59	279,480,000
				25,030,079		439,480,000
Series D	US$	2018	3	33,308,086	27.40	915,306,203
Series E						
- *Tranche 1*	US$	2021	1	17,357,824	55.91	970,440,000
- *Tranche 2*	US$	2021	1	3,471,565	55.37	192,233,000
- *Tranche 2* (Note)	US$	2022	4	6,386,578	54.65	350,161,000
				27,215,967		1,512,834,000
				122,806,267		3,049,620,203

Note: Overseas direct investment (the "ODI") into foreign entities by certain investors located in the PRC (the "Series Seeds, A, B and C Chinese Investors") is not allowed until an approval for ODI is obtained from the applicable authorities in the PRC, including Chinese National Development and Reform Commission, Chinese Ministry of Commerce, and State Administration of Foreign Exchange. As part of the group reorganisation, the Company issued warrants to certain investors of Series Seeds, A, B and C-1 who were not allowed to hold direct investments in foreign entities to complete the transfer of preferred shares from Guangzhou Sudao to the Company. During the year ended 31 December 2019, the investors have obtained the ODI approval, exercised their warrants and converted the warrants into preferred shares of the Company. During the year ended 31 December 2021, the Company issued warrants to certain investors of Series E-2 who have not obtained the ODI approval, all the warrants have been exercised in April 2022. In April 2022, 6,386,578 Series E-2 Preferred Shares were issued by the Company with consideration of RMB350,161,000.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29. FINANCIAL LIABILITIES AT FVTPL—continued

Preferred Shares—continued

The key terms of the Series Seeds, A, B, C, D and E Preferred Shares of the Company are as follows:

a) Voting Right

Subject to the provisions of the Memorandum and these Articles, at all general meetings of the Company: (a) the holder of each Ordinary Share issued and outstanding shall have one vote in respect of each Ordinary Share held, and (b) the holder of a Preferred Share shall be entitled to such number of votes as equals the whole number of Ordinary Shares into which such holder's collective Preferred Shares are convertible immediately after the close of business on the record date of the determination of the Company's Members entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Company's Members is first solicited. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as converted basis (after aggregating all shares into which the Preferred Shares held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward). To the extent that the Statute or the Articles allow the Series E Preferred Shares, the Series D Preferred Shares, the Series C-2 Preferred Shares, the Series C-1 Preferred Shares, the Series B Preferred Shares, the Series A Preferred Shares and the Series Seed Preferred Shares to vote separately as a class or series with respect to any matters, such Series E Preferred Shares, Series D Preferred Shares, Series C-2 Preferred Shares, Series C-1 Preferred Shares, Series B Preferred Shares, and Series A Preferred Shares shall have the right to vote separately as a class or series with respect to such matters.

b) Dividends

When, as and if declared by the board of directors of the Company or Guangzhou Sudao (before completion of group reorganisation), outstanding Series E Preferred Shares are entitled to a noncumulative dividend in preference to any dividend on other Preferred Shares and ordinary shares at the rate per annum of the greater of (i) dividends at a simple rate of ten percent (10%) of the respective Series E Issue Price per annum since the Series E Issue Date, and (ii) dividends distributed pari passu on a pro rata basis to the Preferred Shares and Ordinary Shares on an as converted basis. After payment in full on Series E-1/2 Preferred Shares, outstanding Series D Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on other Preferred Shares and ordinary shares at the greater of (i) dividends at a simple rate of ten percent (10%) of the respective Series D Issue Price per annum since the Series D Issue Date, and (ii) dividends distributed pari passu on a pro rata basis to the Preferred Shares and Ordinary Shares on an as converted basis. After payment in full on Series D and E-1/2 Preferred Shares, outstanding Series C-1/2 Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on other Preferred Shares and ordinary shares at the greater of (i) dividends at a simple rate of ten percent (10%) of the respective Series C-1/2 Deemed Issue Price per annum since the Series C-1/2 Issue Date, and (ii) dividends distributed pari passu on a pro rata basis to the Preferred Shares and Ordinary Shares on an as converted basis. After payment in full on Series C-1/2, D and E-1/2 Preferred Shares, outstanding Series B Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on other Preferred Shares and ordinary shares at the greater of (i) dividends at a simple rate of ten percent (10%) of the respective Series B Deemed Issue Price per annum since the Series B Issue Date, and (ii) dividends distributed

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29. FINANCIAL LIABILITIES AT FVTPL—continued

Preferred Shares—continued

b) Dividends—continued

pari passu on a pro rata basis to the Preferred Shares and Ordinary Shares on an as converted basis. After payment in full on Series B,C-1/2, D and E-1/2 Preferred Shares, outstanding Series A Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on other Preferred Shares and ordinary shares at the greater of (i) dividends at a simple rate of ten percent (10%) of the respective Series A Deemed Issue Price per annum since the Series A Issue Date, and (ii) dividends distributed pari passu on a pro rata basis to the Preferred Shares and Ordinary Shares on an as converted basis. After payment in full on Series A,B,C-1/2, D and E-1/2 Preferred Shares, outstanding Series Seeds Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on other Preferred Shares and ordinary shares at the greater of (i) dividends at a simple rate of ten percent (10%) of the respective Series Seeds Deemed Issue Price per annum since the Series Seeds Issue Date, and (ii) dividends distributed pari passu on a pro rata basis to the Preferred Shares and Ordinary Shares on an as converted basis. A dividend is payable only when funds are legally available and only when, as and if declared by the Board of Directors. During the Track Record Period, the Board of Directors has not declared any dividends.

c) Liquidation Preference

In the event of any liquidation, dissolution or winding up of the Company or Guangzhou Sudao (before completion of group reorganisation), whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the Members (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to the Members of the Company as follows:

The holders of the Series E Preferred Shares shall be entitled to receive for each Series E Preferred Share held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of the Series D Preferred Shares, the Series C-2 Preferred Shares, the Series C-1 Preferred Shares, the Series B Preferred Shares, the Series A Preferred Shares, the Series Seed Preferred Shares and the Ordinary Shares by reason of their ownership of such shares, the amount (the "Series E Preference Amount") equal to the one hundred percent (100%) of the Series E Issue Price, deducted all accrued or declared and paid dividends on such Series E Preferred Share. If the assets and funds thus distributed among the holders of the Series E Preferred Shares shall be insufficient to permit the payment to such holders of the full Series E Preference Amount, then the entire assets and funds of the Company legally available for distribution to the Series E Preferred Shares shall be distributed ratably among the holders of the Series E Preferred Shares in proportion to the aggregate Series E Preference Amount each such holder is otherwise entitled to receive pursuant to this clause. (Same with other series shares)

d) Optional Conversion

Subject to the Statute and these Articles, any Preferred Share may, at the option of the holder thereof, be converted at any time after the date of issuance of such shares, without the payment of any additional consideration, into fully-paid and non-assessable Ordinary Shares based on the then-effective applicable conversion price.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29. FINANCIAL LIABILITIES AT FVTPL—continued

Preferred Shares—continued

e) Conversion Price / Anti-Dilution Protection

The conversion price for each series of Preferred Shares shall be adjusted and readjusted from time to time as provided below: (i) Adjustment for share splits and combinations; (ii) Adjustment for ordinary share dividends and distributions; (iii) Adjustments for other dividends; (iv) Adjustments for Reorganisation, Mergers, Consolidations, Reclassifications, Exchanges, Substitutions; (v) Adjustments to conversion price for dilutive issuance; (vi) Other dilutive events.

f) Conversion

Each Preferred Share shall automatically be converted, based on the then-effective applicable Conversion Price, without the payment of any additional consideration, into fully-paid and non-assessable Ordinary Shares upon the earlier of (i) the closing of Qualified **[REDACTED]**, or (ii) the date specified by written consent or agreement of the Series E Holder (with respect to the Series E Preferred Shares), the date specified by written consent or agreement of the Series D Holders (with respect to the Series D Preferred Shares), the date specified by written consent or agreement of the Series C-2 Holders (with respect to the Series C-2 Preferred Shares), the date specified by written consent or agreement of the Series C-1 Holders (with respect to the Series C-1 Preferred Shares), the date specified by written consent or agreement of the Series B Holders (with respect to the Series B Preferred Shares), the date specified by written consent or agreement of the Series A Holders (with respect to the Series A Preferred Shares) or Series Seed Holders (with respect to the Series Seed Preferred Shares).

g) Redemption for Series Seeds/Series A/Series B/Series C/Series D/Series E Preferred Shares

At any time after the earlier of the occurrence of the following event: (i) the Qualified **[REDACTED]** has not been closed before 31 December 2023, (ii) any material breach of the Transaction Documents by any Group Company, any Founder Holding Company, or any Founder , and the Group Company, the Founder Holding Company, or the Founder fails to take remedial measures within ten (10) business days after receiving the written notice by the holders of the Preferred Shares; (iii) the application of **[REDACTED]** has been denied by the competent securities regulatory governmental authority, (iv) any material breach of the loyal and fiduciary duty by the Founder and/or any other material integrity issues attributable to the Founder, including but not limited to the any income not accounted in the Company's financial book and record , or any material risk of internal control due to the willfully misconduct and gross negligence by the Founder, and such issues have not been properly disclosed to the holders of the Preferred Shares, (v) the failure of the **[REDACTED]** due to the failure of issuance of the unreserved audit report by any Auditor, (vi) the Group Companies are not able to be engaged in the business thereof, and (vii) the holders of any Preferred Shares having requested a redemption of such shares, the Company or Guangzhou Sudao may be required to redeem the outstanding Series Seeds, A B, C, D and E Preferred Shares at a price per share calculated in the formulae as stipulated in the Memorandum of Association of the Company or restated certificate of incorporation, in three annual instalments commencing on or before 60th day after the Company's or Guangzhou Sudao's receipt from holders of a majority of outstanding Series Seeds, A, B, C, D and E Preferred Shares, of written notice requesting redemption of all Series Seeds, A B, C, D and E Preferred Shares.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29. FINANCIAL LIABILITIES AT FVTPL—continued

Preferred Shares—continued

g) Redemption for Series Seeds/Series A/Series B/Series C/Series D/Series E Preferred Shares—continued

In conjunction with the issuance of Series D Preferred Shares, the Company modified the terms of Series Seeds Preferred Shares to Series C Preferred Shares, on 7 December 2018, to extend the date of mandatory redemption from 31 December 2021 to 31 December 2023. Subsequent to this modification, except for priority of the liquidation and redemption terms, Series D Preferred Shares, Series C Preferred Shares, Series B Preferred Shares, Series A Preferred Shares and Series Seeds Preferred Shares contain the same terms. Series E Preferred Shares have priority over Series D Preferred Shares, Series D Preferred Shares have priority over Series C Preferred Shares, Series C preferred shares have priority over Series B Preferred Shares, Series B Preferred Shares have priority over Series A Preferred Shares while Series A Preferred Shares have priority over Series Seeds Preferred Shares. All the Preferred Shares have priority over ordinary shares.

In April 2022, the Group passed a shareholder's resolution to terminate all shareholders' redemption or divestment rights (including the shareholders of preferred shares) against and with respect to the Company, and such terminated redemption or divestment right shall automatically revert and be reinstated in full should a qualified **[REDACTED]** not close on or before the Maturity Date or the shareholders unanimously decide to terminate the application of a qualified **[REDACTED]**, whichever is earlier. In November 2022, the Group passed a shareholder's resolution to extend the above Maturity Date to 31 December 2024.

Presentation and Classification

The directors of the Company considered that the Preferred Shares issued by the Company or Guangzhou Sudao are accounted for as financial liabilities measured at FVTPL.

The directors of the Company also considered that the changes in the fair value of the Preferred Shares attributable to the change in credit risk of these financial liabilities are minimal. Changes in fair value of the Preferred Shares not attributable to the change in credit risk of the financial liabilities are charged to profit or loss and presented as "changes in fair value of financial liabilities at FVTPL".

The Preferred Shares were valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer, Avista Valuation Advisory Limited ("Avista Valuation"), which has appropriate qualifications and experiences in valuation of similar instruments. The address of Avista Valuation is Suites 2401-06, 24/F, Everbright Centre, No.108 Gloucester Road, Wan Chai, Hong Kong.

The directors of the Company used the back-solve method to determine the underlying share value of the Company and performed an equity allocation based on OPM to arrive the fair value of the Preferred Shares at the end of each reporting period.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29. FINANCIAL LIABILITIES AT FVTPL—continued

Presentation and Classification—continued

In addition to the underlying share value of the determined by back-solve method, other key valuation assumptions used in OPM to determine the fair value of Preferred Shares are as follows:

	At 1 January 2020	At 31 December 2020	At 31 December 2021	At 31 December 2022
Time to liquidation or redemption	4 years	3 years	2 years	2 years
Risk-free interest	1.70%	0.18%	0.73%	4.42%
Expected volatility	51.73%	49.19%	53.32%	60.28%
Dividend yield	0%	0%	0%	0%
Possibilities under liquidation scenario	35%	30%	27.5%	20%
Possibilities under redemption scenario	35%	30%	27.5%	20%
Possibilities under **[REDACTED]** scenario	30%	40%	45%	60%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to period from the respective valuation dates to the expected redemption dates. Expected volatility value was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected redemption dates. Dividend yield, possibilities under different scenario are estimated based on management estimation at the valuation dates.

The Group and the Company

	Preferred Shares RMB'000
At 1 January 2020	2,636,681
Unrealised changes in fair value	294,331
At 31 December 2020	2,931,012
Issued during the year	1,162,673
Unrealised changes in fair value	128,696
At 31 December 2021	4,222,381
Issued during the year	350,161
Unrealised changes in fair value	1,299,500
At 31 December 2022	5,872,042

30. SHARE CAPITAL

The Group and the Company

The Company was incorporated in the Cayman Islands as an exempted company registered under the laws of the Cayman Islands on 27 August 2018 with an authorised share capital of US$0.02 divided into 1,800 shares of a par value of US$0.00001 each. Upon incorporation of the Company,

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. SHARE CAPITAL—continued

The Group and the Company—continued

1,800 shares was issued at par value of US$0.00001, equivalent to approximately RMB0.12. On 7 December 2018, an additional of 31,328,046 shares were allotted and authorised while 800 shares were repurchased by the Company upon group reorganisation.

	Number of shares	Share capital	Presented as
		US$	RMB'000
Ordinary shares of US$0.00001 each			
Authorised, issued and fully paid			
At 1 January 2020, 31 December 2020, 2021 and 2022	31,329,046	313	2

31. SHARE-BASED PAYMENT RESERVES

Equity-settled share option scheme of the Group

2017 Stock Incentive Plan

Effective on 2 February 2017, Guangzhou Sudao adopted the "2017 Stock Incentive Plan" pursuant to which the Group was authorised to grant stock options, stock appreciation rights and restricted stock to directors, officers and employees of Guangzhou Sudao. Under the 2017 Stock Incentive Plan, a maximum number of 980,000 shares of ordinary shares of Guangzhou Sudao will be issued. Stock options were granted with an exercise price not less than the fair market value of the Guangzhou Sudao's ordinary shares at the date of grant, and have exercise terms of up to 10 years with vesting periods determined at the discretion of the Board of Directors of Guangzhou Sudao, and are subject to a continued service relationship. Effective on 1 January 2019, the Group terminated the 2017 Stock Incentive Plan, meaning that, while no additional awards of stock options, stock appreciation rights, or restricted stock were permitted thereunder, all outstanding awards continued to be governed by their existing terms.

2019 Stock Incentive Plan

Effective on 27 February 2019, the Company adopted the "2019 Stock Incentive Plan" pursuant to which the Company is authorised to grant stock options, stock appreciation rights and restricted stock to directors, officers and employees who provide services to the Company and its affiliates. Under the 2019 Stock Incentive Plan, a maximum number of 6,388,742 ordinary shares of the Company will be issued. Stock options are to be granted with an exercise price not less than the fair market value of the Company's ordinary shares at the date of grant, and have exercise terms of up to 10 years with vesting periods determined at the discretion of the board of directors of the Company, and are subject generally to a continued service relationship.

Substitution of ordinary shares of Guangzhou Sudao to the Company's ordinary shares under 2017 Stock incentive Plan

As part of the share exchange arrangement, Guangzhou Sudao would i) substitute 1 share of ordinary share of Guangzhou Sudao under the 2017 Stock incentive Plan and ii) assume on the same terms and conditions as the 2017 Stock incentive Plan, stock appreciation rights, and restricted stock

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31. SHARE-BASED PAYMENT RESERVES—continued

Equity-settled share option scheme of the Group—continued

Substitution of ordinary shares of Guangzhou Sudao to the Company's ordinary shares under 2017 Stock incentive Plan—continued

under the 2019 Stock Incentive Plan as defined and detailed below. The directors of the Company considered that the modification of terms of 2017 Stock Incentive Plan have no material change in fair value of the share options at the date of modification.

The following table discloses movements of share options held by directors and employees during the Track Record Period under 2017 Stock Incentive Plan:

Options	Grant year	Vesting Period	Expiry year	Exercise price	At 1 January 2020	Granted during the year	At 31 December 2020	Granted during the year	At 31 December 2021	Granted during the year	Forfeited during the year	At 31 December 2022
				US$								
Directors and employees												
Tranche 2017-7	2017	4 years	2027	0.3	1,808,394	—	1,808,394	—	1,808,394	—	(11,952)	1,796,442
Tranche 2017-7	2017	4 years	2027	0.3	185,261	—	185,261	—	185,261	—	—	185,261
Tranche 2018-1	2018	4 years	2028	0.3	179,286	—	179,286	—	179,286	—	—	179,286
Tranche 2018-2	2018	4 years	2028	0.3	555,982	—	555,982	—	555,982	—	—	555,982
Tranche 2018-12	2018	4 years	2028	1.05	847,659	—	847,659	—	847,659	—	—	847,659
					3,576,582		3,576,582		3,576,582		(11,952)	3,564,630
Exercisable at the end of the year					—		—		—			—
Weighted average exercise price					0.48		0.48		0.48		0.3	0.48

Except for the forfeited options disclosed above, no other options were exercised, forfeited or expired during the Track Record Period.

The following table discloses movements of share options held by directors, senior managers and employees during the Track Record Period under 2019 Stock Incentive Plan:

Options	Grant year	Vesting Period	Expiry year	Exercise price	At 1 January 2020	Granted during the year	At 31 December 2020	Granted during the year	Forfeited during the year	At 31 December 2021	Granted during the year	Forfeited during the year	At 31 December 2022
				US$									
Directors and employees													
Tranche 2019-3	2019	4 years	2029	1.05	65,000	—	65,000	—	—	65,000	—	—	65,000
Tranche 2019-4	2019	4 years	2029	1.05	40,000	—	40,000	—	—	40,000	—	—	40,000
Tranche 2019-10	2019	4 years	2029	0.94	2,294,000	—	2,294,000	—	(43,000)	2,251,000	—	(25,000)	2,226,000
Tranche 2019-11	2019	4 years	2029	2.00	50,000	—	50,000	—	—	50,000	—	—	50,000
Tranche 2020-1	2020	4 years	2030	1.05	—	120,000	120,000	—	—	120,000	—	—	120,000
Tranche 2020-4	2020	4 years	2030	1.05	—	283,000	283,000	—	(13,000)	270,000	—	(25,000)	245,000
Tranche 2021-1	2021	4 years	2031	1.60	—	—	—	1,066,465	—	1,066,465	—	(799,849)	266,616
Tranche 2021-2	2021	4 years	2031	2.00	—	—	—	1,072,000	(70,500)	1,001,500	—	(81,750)	919,750
Tranche 2021-7	2021	4 years	2031	2.00	—	—	—	30,000	—	30,000	—	(30,000)	—
Tranche 2021-11	2021	4 years	2031	2.00	—	—	—	5,230,071	(10,000)	5,220,071	—	(507,071)	4,713,000
Tranche 2021-12	2021	4 years	2031	2.00	—	—	—	450,000	—	450,000	—	—	450,000
Tranche 2022-2	2022	4 years	2032	2.00							1,099,000	(132,000)	967,000
Tranche 2022-5-1	2022	4 years	2032	2.00							20,000	—	20,000
Tranche 2022-5-2	2022	4 years	2032	0.8							2,660,000	—	2,660,000
Tranche 2022-5-3	2022	Immediate after **[REDACTED]** (Note)	2032	0.8							1,330,000	—	1,330,000
Tranche 2022-7-1	2022	4 years	2032	2.00	—	—	—	—	—	—	740,000	(80,000)	660,000
					2,449,000	403,000	2,852,000	7,848,536	(136,500)	10,564,036	5,849,000	(1,680,670)	14,732,366

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31. SHARE-BASED PAYMENT RESERVES—continued

Equity-settled share option scheme of the Group—continued

Substitution of ordinary shares of Guangzhou Sudao to the Company's ordinary shares under 2017 Stock incentive Plan—continued

Options	Grant year	Vesting Period	Expiry year	Exercise price	At 1 January 2020	Granted during the year	At 31 December 2020	Granted during the year	Forfeited during the year	At 31 December 2021	Granted during the year	Forfeited during the year	At 31 December 2022
				US$									
Exercisable at the end of the year					—		—			—			—
Weighted average exercise price					0.97	1.05	0.98	1.95	1.58	1.69	1.18	1.78	1.48

Note: In May 2022, the Company granted 1,330,000 share options to Mr. Fei Chen, an executive director of the Company. These options are vested on the day when the Company's shares are listed on the Stock Exchange.

Except for the forfeited options disclosed above, no other options were exercised, forfeited or expired during the Track Record Period.

Milestone-based share options are exercisable upon the completion of Listing.

These fair values were calculated using the binomial method. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate with reference to valuation reports carried out by Avista Valuation. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

	2020	2021	2022
Weighted average share price	US$ 1.81	US$1.87 - US$2.11	US$2.10 - US$2.40
Exercise price	US$ 1.05	US$ 1.60 - 2.00	US$0.80 - US$2.00
Expected volatility	59.37%	59.70% - 60.38%	60.22% - 61.47%
Expected life (years)	10	10	10
Risk-free rate	1.09%	1.24% - 1.65%	1.96% - 3.14%
Expected dividend yield	0%	0%	0%

Expected volatility was determined by using the historical volatility of the share prices of comparable companies over the previous 10 years. The expected life used in the model has been adjusted, based on the directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

During the Track Record Period, the Group recognised the total expense of approximately nil, RMB24,362,000, and RMB38,817,000 in relation to share options granted by the Group.

32. RETIREMENT BENEFIT PLAN

The eligible employees of the Company's subsidiaries in PRC are members of pension schemes operated by local government of the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of the relevant cost of payroll of these employees to the pension schemes to fund the benefits.

The contributions to the retirement benefits schemes for employees of the Group and directors of the Company during the Track Record Period are disclosed in Notes 11 and 12, respectively.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which include lease liabilities as disclosed in Note 27 and bank borrowings as disclosed in Note 28, net of bank balances and cash, and time deposits with original maturity of three months or less and equity attributable to owners of the Company, comprising issued share capital and deficits.

The management of the Group reviews the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of items in the context of capital structure, and takes appropriate actions to adjust the Group's capital structure. Based on recommendations of the management, the Group will balance its overall capital structure through the repayment of existing debts and continuity of funding of cash flows from operating activities and new shares issue.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As of 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Financial assets			
Time deposits	580,164	707,452	370,487
Restricted bank deposits	158,221	209,356	298,404
Bank balances and cash	130,526	383,603	835,394
Trade and other receivables	436,083	253,791	368,577
Amount due from a shareholder	38,781	2	2
Financial assets at amortised cost	1,343,775	1,554,204	1,872,864
Financial assets at FVTPL	344,600	512,882	711,076
Financial liabilities			
Trade and other payables	1,811,063	1,894,960	2,323,375
Bank borrowings	96,983	—	—
Financial liabilities at amortised cost	1,908,046	1,894,960	2,323,375
Financial liabilities at FVTPL	2,931,012	4,222,381	5,872,042

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. FINANCIAL INSTRUMENTS—continued

(a) Categories of financial instruments—continued

The Company

	As of 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Financial assets			
Amount due from a shareholder	2	2	2
Time deposits	16,312	—	—
Bank balances and cash	730	3,593	6,904
Financial assets at amortised cost	17,044	3,595	6,906
Financial assets at FVTPL	—	242,276	60,654
Financial liabilities			
Financial liabilities at FVTPL	2,931,012	4,222,381	5,872,042

(b) Financial risk management objectives and policies

The Group's and the Company's financial instruments include trade and other receivables, financial assets at FVTPL, time deposits, restricted bank deposits, bank balances and cash, trade and other payables, bank borrowings, financial liabilities at FVTPL, lease liabilities and amount due from a shareholder. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank balances, time deposits and financial liabilities at FVTPL denominated in foreign currency of respective group entities expose the Group and the Company to foreign currency risk. The Group and the Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and liabilities at the end of each reporting period are mainly as follows:

The Group

	As of 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Assets			
US$	17,912	92,864	87,471
Liabilities			
US$	1,891,256	3,059,684	4,164,994

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. FINANCIAL INSTRUMENTS—continued

(b) Financial risk management objectives and policies—continued

Market risk—continued

Currency risk—continued

The Group—(Continued)

Sensitivity analysis

The following details the Group's sensitivity to a 5% increase and decrease in RMB against US$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. For a 5% weakening/strengthening of RMB against US$, the Group's post-tax loss for the years ended 31 December 2020, 2021 and 2022 would increase/decrease by approximately RMB70,250,000, RMB111,256,000 and RMB152,907,000, respectively.

The Company

	As of 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Assets			
US$	17,018	—	67,558
Liabilities			
US$	1,891,256	3,059,684	4,164,994

Sensitivity analysis

The following details the Company's sensitivity to a 5% increase and decrease in RMB against US$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. USD, For a 5% weakening/strengthening of RMB against US$, the Company's post-tax loss for the years ended 31 December 2020, 2021 and 2022 would increase/decrease by approximately RMB70,284,000, RMB114,738,000 and RMB153,654,000, respectively.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and lease liabilities as disclosed in Notes 28 and 27, respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate time deposits, restricted bank deposits, bank balances and bank borrowings as disclosed in Notes 23, 24 and 28, respectively. The Group's 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 the Group's RMB denominated bank borrowings.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. FINANCIAL INSTRUMENTS—continued

(b) Financial risk management objectives and policies—continued

Market risk—continued

Interest rate risk—continued

The Group currently does not have an interest rate hedging policy. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

The management of the Group consider the Group's and the Company's 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 and PRC prime rate is not expected to be significant, no sensitivity analysis is presented accordingly.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivable, time deposits, restricted bank deposits, bank balances and amount due from a shareholder. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade and note receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual significant trade debt at the end of each reporting period to ensure that adequate impairment loss is recognised for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model on a collective basis. Trade and note receivables are grouped by internal credit rating based on shared credit risk characteristics by reference to past due exposure for the customers. During the years ended 31 December 2020, 2021 and 2022, the Group recognised credit loss allowance of approximately RMB3,151,000, RMB1,769,000, and RMB2,300,000 for trade receivables based on collective assessment. Impairment allowance for note receivables as at 31 December 2020, 2021 and 2022 was not material.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total trade receivables as at 31 December 2020, 2021 and 2022.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. FINANCIAL INSTRUMENTS—continued

(b) Financial risk management objectives and policies—continued

Credit risk and impairment assessment—continued

Other receivables and amount due from a shareholder

The Group assessed the loss allowance for other receivables and amount due from a shareholder on 12m ECL basis as the Group has considered that credit risks on these financial assets have not increased significantly since initial recognition. In determining the ECL, the Group has taken into account the historical default experience and forward looking information as appropriate. The Group has considered the consistently low historical default rate in connection with payments and the Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. For the years ended 31 December 2020, 2021 and 2022, management of the Group assessed the ECL for other receivables and amount due from a shareholder was insignificant and thus no loss allowance was recognised.

Time deposits, restricted bank deposits and bank balances

The credit risks on time deposits, restricted bank deposits and bank balances are limited because the counterparties are authorised banks in the PRC with high credit ratings assigned by external credit-rating agencies.

Other than the concentration of credit risk on liquid funds which are placed with several banks, the Group does not have any other significant concentration of credit risk.

The Group assessed 12m ECL for time deposits, restricted bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on time deposits, restricted bank deposits and bank balances is considered to be insignificant and therefore no loss allowance was recognised.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have material past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due date but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. FINANCIAL INSTRUMENTS—continued

(b) Financial risk management objectives and policies—continued

Credit risk and impairment assessment—continued

Time deposits, restricted bank deposits and bank balances—continued

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount At 31 December 2020	At 31 December 2021	At 31 December 2022
				RMB'000	RMB'000	RMB'000
Financial assets at amortised cost						
Trade receivables	20	(Note 1)	Lifetime ECL - not credit impaired (collective assessment)	104,285	116,692	139,215
Note receivables	20	(Note 1)	Lifetime ECL - not credit impaired (collective assessment)	260,805	11,852	29,163
Other receivables	20	(Note 2)	12m ECL	75,609	131,632	204,856
Amount due from a shareholder	22	(Note 2)	12m ECL	38,781	2	2
Time deposits	23	(Note 2)	12m ECL	580,164	707,452	370,487
Restricted bank deposits	24	(Note 2)	12m ECL	158,221	209,356	298,404
Bank balances	24	(Note 2)	12m ECL	130,526	383,603	835,394
				1,348,391	1,560,589	1,877,521

Notes:

1. For not credit-impaired trade and note receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on a collective basis, grouped by internal credit rating and past due status of respective receivable.

Internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed collectively as at 31 December 2020, 2021 and 2022 within lifetime ECL (not credit-impaired). Impairment allowance for note receivables as at 31 December 2020, 2021 and 2022 was not material as the notes receivables are issued by authorised banks in the PRC with high credit ratings assigned by external credit-rating agencies.

Gross carrying amount

	As at 31 December 2020 Average loss rate	2020 Trade receivables	2021 Average loss rate	2021 Trade receivables	2022 Average loss rate	2022 Trade receivables
		RMB'000		RMB'000		RMB'000
Low risk	4.4%	104,285	5.4%	116,692	3.3%	139,215

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. FINANCIAL INSTRUMENTS—continued

(b) Financial risk management objectives and policies—continued

Credit risk and impairment assessment—continued

Time deposits, restricted bank deposits and bank balances—continued

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the years ended 31 December 2020, 2021 and 2022, the Group recognised credit losses allowance of approximately RMB3,151,000, RMB1,769,000 and RMB2,300,000 for trade receivables, respectively.

The following tables show the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

Trade receivables	Lifetime ECL - collective assessment (not credit impaired)
	RMB'000
As at 1 January 2020	1,465
—impairment losses recognised	3,151
As at 31 December 2020	4,616
—impairment losses recognised	1,769
As at 31 December 2021	6,385
—impairment losses recognised	2,300
—Write-offs	(4,028)
As at 31 December 2022	4,657

The Group writes off trade and note receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade and note receivables are over two years past due, whichever occurs earlier. None of the trade and note receivables that have been written off and is subject to enforcement activities.

2. For the purposes of internal credit risk management, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12m ECL as there is no significant increase in credit risk since initial recognition. The Group determines the expected credit losses for other receivables, amount due from a shareholder, time deposits, restricted bank deposits and bank balances by assessment of probability of default. During the years ended 31 December 2020, 2021 and 2022, in view of the nature of the balance and historical default rate and forward looking information, the Group considers the provision of impairment allowance for these balances are insignificant.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31 December 2020, 2021 and 2022, the Group had net liabilities of approximately RMB2,462,156,000, RMB2,908,489,000 and RMB4,369,710,000. Having taken into account as disclosed in Note 2, the directors consider that the Group will have sufficient financial resources to meet in full its 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.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. FINANCIAL INSTRUMENTS—continued

(b) Financial risk management objectives and policies—continued

Liquidity risk—continued

required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at variable rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

The Group

	Weighted average interest rate	Carrying amount	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020							
Trade and other payables	N/A	1,811,063	1,811,063	—	—	—	1,811,063
Bank borrowings	2.30	96,983	96,983	—	—	—	96,983
Financial liabilities at FVTPL	N/A	2,931,012	2,931,012	—	—	—	2,931,012
Lease liabilities	4.75	151,882	53,461	47,139	69,363	814	170,777
		4,990,940	4,892,519	47,139	69,363	814	5,009,835
As at 31 December 2021							
Trade and other payables	N/A	1,894,960	1,894,960	—	—	—	1,894,960
Financial liabilities at FVTPL	N/A	4,222,381	4,222,381	—	—	—	4,222,381
Lease liabilities	4.75	181,729	70,672	69,919	54,218	—	194,809
		6,299,070	6,188,013	69,919	54,218	—	6,312,150
As at 31 December 2022							
Trade and other payables	N/A	2,323,375	2,323,375	—	—	—	2,323,375
Financial liabilities at FVTPL	N/A	5,872,042	5,872,042	—	—	—	5,872,042
Lease liabilities	4.75	180,548	87,829	54,096	50,660	—	192,585
		8,375,965	8,283,246	54,096	50,660	—	8,388,002

The Company

	Weighted average interest rate	Carrying amount	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020							
Financial liabilities at FVTPL	N/A	2,931,012	2,931,012	—	—	—	2,931,012
As at 31 December 2021							
Financial liabilities at FVTPL	N/A	4,222,381	4,222,381	—	—	—	4,222,381
As at 31 December 2022							
Financial liabilities at FVTPL	N/A	5,872,042	5,872,042	—	—	—	5,872,042

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. FINANCIAL INSTRUMENTS—continued

(b) Financial risk management objectives and policies—continued

Fair value measurement of financial instruments

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Certain of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	As at 31 December			Fair value hierarchy	Valuation technique and key input
	2020	2021	2022		
	RMB'000	RMB'000	RMB'000		
Financial assets					
Financial assets at FVTPL	344,600	512,882	711,076	Level 2	Quoted value from bank based on expected return with reference to underlying investment
Financial liabilities					
Financial liabilities at FVTPL	2,931,012	4,222,381	5,872,042	Level 3	Back-solve method (Note)

Note:

A 5% increase/decrease in the fair value of the total equity value of the Company, while all other variables keep constant, would increase the carrying amount as at 31 December 2020, 2021 and 2022 by approximately RMB136,793,000, RMB196,754,000 and RMB281,541,000, respectively or decrease the carrying amount of financial liabilities at FVTPL as at 31 December 2020, 2021 and 2022 by approximately RMB136,956,000, RMB197,096,000 and RMB281,742,000, respectively.

A 5% increase/decrease in the probability of an **[REDACTED]**, while all other variables keep constant, would increase/decrease the carrying amount of financial liabilities at FVTPL as at 31 December 2020, 2021 and 2022 by approximately RMB5,961,000, RMB11,038,000 and RMB16,681,000, respectively.

There were no transfer between Level 1 and 2 during the Track Record Period.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. FINANCIAL INSTRUMENTS—continued

(b) Financial risk management objectives and policies—continued

Fair value measurement of financial instruments—continued

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis—continued

Reconciliation of Level 3 fair value measurements

	Financial liabilities at FVTPL
	RMB'000
As at 1 January 2020	2,636,681
—total losses in profit or loss	294,331
As at 31 December 2020	2,931,012
—issued during the year	1,162,673
—total losses in profit or loss	128,696
As at 31 December 2021	4,222,381
—issued during the year	350,161
—total losses in profit or loss	1,299,500
As at 31 December 2022	5,872,042

Fair values of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Convertible preferred shares	Lease liabilities	Bank borrowings	Amount due to a shareholder	Accrued issue cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	2,636,681	155,874	146,725	—	—	2,939,280
Financing cash flows	—	(52,085)	210,304	—	—	158,219
New leases entered	—	40,594	—	—	—	40,594
Fair value change	294,331	—	—	—	—	294,331
Finance costs	—	7,499	2,802	—	—	10,301
Offset with note receivables (Note)	—	—	(262,848)	—	—	(262,848)
At 31 December 2020	2,931,012	151,882	96,983	—	—	3,179,877

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES—continued

	Convertible preferred shares	Lease liabilities	Bank borrowings	Amount due to a shareholder	Accrued issue cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financing cash flows	1,162,673	(61,579)	(6,426)	30,925	(746)	1,124,847
New leases entered	—	83,358	—	—	—	83,358
Issue cost accruals	—	—	—	—	1,451	1,451
Fair value change	128,696	—	—	—	—	128,696
Finance costs	—	8,068	426	—	—	8,494
Offset with note receivables (Note)	—	—	(90,983)	—	—	(90,983)
Deemed contribution from a shareholder	—	—	—	(30,925)	—	(30,925)
At 31 December 2021	4,222,381	181,729	—	—	705	4,404,815
Financing cash flow	350,161	(84,986)	(521)	—	(2,727)	261,927
New leases entered	—	74,095	—	—	—	74,095
Issue cost accruals	—	—	—	—	4,403	4,403
Fair value change	1,299,500	—	—	—	—	1,299,500
Finance costs	—	9,710	521	—	—	10,231
Offset with note receivables (Note)	—	—	—	—	—	—
As at 31 December 2022	5,872,042	180,548	—	—	2,381	6,054,971

Note: Amounts represented bank borrowings derecognised when the related discounted note receivables were matured.

36. ACQUSITION OF SUBSIDIARIES

Business combination

For the year ended 31 December 2021

On 13 October 2021, the Group acquired 100% interest in Guangzhou Yuewei. Guangzhou Yuewei is principally engaged in medical testing business and was acquired with the objective of improving the Group's other businesses. The acquisition has been accounted for as acquisition of business using the acquisition method.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	822
Intangible assets	5,558
Financial assets at FVTPL	5,500
Bank balances and cash	1,510
Deferred tax liabilities	(1,390)
Total	12,000

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. ACQUSITION OF SUBSIDIARIES—continued

Business combination—continued
For the year ended 31 December 2021—continued

Consideration transferred

	RMB'000
Cash	12,000

No goodwill was arising from this acquisition.

Net cash outflow on acquisition of Guangzhou Yuewei:

	RMB'000
Cash consideration paid	12,000
Less: cash and cash equivalents balances acquired	(1,510)
	10,490

Included in the loss for the year ended 31 December 2021 is profit of RMB372,839 attributable to the additional business generated by Guangzhou Yuewei. Revenue for the year ended 31 December 2021 includes RMB6,449,000 generated from Guangzhou Yuewei.

Had the acquisition of Guangzhou Yuewei been completed on 1 January 2021, revenue for the year ended 31 December 2021 of the Group would have been RMB10,098,758,000 and loss for the year would have been RMB501,526,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results. In determining the 'pro-forma' revenue and profit of the Group had Guangzhou Yuewei been acquired on 1 January 2021, the directors of the Company calculated depreciation and amortisation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

Assets acquisition

During the Track Record Period, the Group acquired 100% equity interests in two subsidiaries in 2020 that are accounted for as asset acquisition.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. ACQUSITION OF SUBSIDIARIES—continued

Assets acquisition—continued

For the year ended 31 December 2020

Assets and liabilities recognised at the date of acquisition

	Xi'an Leying	Liaoning Lexing	Total
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000
Intangible assets	3,500	3,970	7,470
Trade and other payables	—	(2,340)	(2,340)
	3,500	1,630	5,130
Net cash outflows arising on acquisition			
Consideration paid in cash	3,500	1,630	5,130

Notes:

(1) On 26 Auguest 2020, the Group acquired 100% equity interest in Xi'an Leying Zhongkang Pharmaceutical Chain Co., Ltd. ("Xi'an Leying) at a cash consideration of approximately RMB3,500,000.

(2) On 1 June 2020, the Group acquired 100% equity interest in Liaoning lexing Pharmaceutical Co., Ltd. ("Liaoning Lexing") at a cash consideration of approximately RMB1,630,000.

37. TRANSFER OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2020, 2021 and 2022 that were transferred to banks or suppliers by discounting or endorsing those note receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the note receivables and has recognised the cash received on the transfer as a bank borrowing (see Note 28) for discounted note receivables or it continues to recognise the full carrying amount of the note receivables and the full carrying amount of the trade payables (see Note 25) for endorsed notes receivables. These financial assets are carried at amortised cost in the Group's consolidated statements of financial position.

As at 31 December 2020

	Note receivables discounted to banks with full recourse	Note receivables endorsed to suppliers with full recourse	Total
	RMB'000	RMB'000	RMB'000
Carrying amount of transferred financial assets	90,983	159,924	250,907
Carrying amount of associated liabilities	(90,983)	(159,924)	(250,907)
	—	—	—

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

37. TRANSFER OF FINANCIAL ASSETS—continued

As at 31 December 2021

	Note receivables discounted to banks with full recourse	Note receivables endorsed to suppliers with full recourse	Total
	RMB'000	RMB'000	RMB'000
Carrying amount of transferred financial assets	—	10,355	10,355
Carrying amount of associated liabilities	—	(10,355)	(10,355)
	—	—	—

As at 31 December 2022

	Note receivables discounted to banks with full recourse	Note receivables endorsed to suppliers with full recourse	Total
	RMB'000	RMB'000	RMB'000
Carrying amount of transferred financial assets	—	28,209	28,209
Carrying amount of associated liabilities	—	28,209	28,209
	—	—	—

38. CAPITAL COMMITMENTS

	As of 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
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

39. RELATED PARTY TRANSACTIONS

Details of the balances with a shareholder are disclosed in the consolidated statements of financial position on page I-6 and Note 22.

Compensation of key management personnel

The remuneration of directors who are also the key management personnel during the Track Record Period is set out in Note 12.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES

Details of the principal subsidiaries directly and indirectly held by the Company are set out below:

Name of subsidiaries	Place of incorporation /registration /operations	Paid up/ issued capital	Registered capital	Proportion ownership interest attributable by the Company As at 31 December 2020	2021	2022	Date of the report	Principal activities
Guangzhou Leyao Information Technology Co., Ltd. (Note d) 廣州樂藥信息科技有限公司	The PRC	USD256,000,000	USD256,000,000	100%	100%	100%	[100%]	Investment holding
Guangdong Dihao (Note c) 廣東帝豪藥業有限公司	The PRC	RMB105,000,000	RMB105,000,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Hubei Chengweishang Pharmaceutical Co., Ltd. (Note c & d) 湖北誠為上醫藥有限公司	The PRC	RMB43,500,000	RMB43,500,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Chengdu Beilebang Pharmaceutical Co., Ltd. (Note d) 成都北樂幫醫藥有限公司	The PRC	RMB81,000,000	RMB81,000,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Jiangsu Jinshi Pharmaceutical Co., Ltd. (Note d) 江蘇金石醫藥有限公司 (formerly known as Taizhou Xinsiwei Pharmaceutical Co., Ltd. 泰州市新思維藥業有限公司	The PRC	RMB91,000,000	RMB91,000,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Guangdong Dongjian (Note c) 廣東東健醫藥有限公司	The PRC	RMB146,000,000	RMB146,000,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Anhui Leyao Pharmaceutical Co., Ltd. (Note d) 安徽樂藥醫藥有限公司	The PRC	RMB76,000,000	RMB76,000,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Guangdong Jiuzhang Pharmaceutical Co., Ltd. (Note c) 廣東九章醫藥有限公司	The PRC	RMB10,000,000	RMB10,000,000	100%	100%	100%	[100%]	Retail of pharmaceutical and healthcare products
Chongqing Yangtuo Pharmaceutical Co., Ltd. (Note d) 重慶央拓醫藥有限公司	The PRC	RMB55,000,000	RMB55,000,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Shandong Leyao Pharmaceutical Co., Ltd. (Note d & f) 山東樂藥醫藥有限公司	The PRC	RMB6,000,000	RMB6,000,000	100%	100%	0%	[0%]	Wholesale of pharmaceutical and healthcare products
Donghua Yutai Pharmaceutical Co., Ltd. (Note d) 東華宇泰(福建)醫藥有限公司	The PRC	RMB56,000,000	RMB56,000,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Jilin Zhongxin Pharmaceutical Co., Ltd. (Note d) 吉林省眾鑫藥業有限公司	The PRC	RMB50,000,000	RMB60,000,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES—continued

Name of subsidiaries	Place of incorporation /registration /operations	Paid up/ issued capital	Registered capital	Proportion ownership interest attributable by the Company As at 31 December			Date of the report	Principal activities
				2020	2021	2022		
Beijing Huisheng Pharmaceutical Co., Ltd. (Note d) 北京惠生醫藥有限責任公司	The PRC	RMB42,800,000	RMB42,800,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Jinan Gonghao Pharmaceutical Co., Ltd. (Note d) 濟南共好醫藥有限公司	The PRC	RMB26,000,000	RMB41,000,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Heilongjiang Changle Pharmaceutical Co., Ltd. (Note d) 黑龍江常樂醫藥有限公司	The PRC	RMB47,000,000	RMB57,000,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Zhejiang Kangchen Pharmaceutical Co., Ltd. (Note d) 浙江康臣醫藥有限公司	The PRC	RMB52,000,000	RMB52,000,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Shaanxi Leying Pharmaceutical Co., Ltd. (Note d) 陝西樂盈醫藥有限公司	The PRC	RMB28,000,000	RMB28,000,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Shanxi Lejin Pharmaceutical Co., Ltd (Note d) 山西樂進醫藥有限公司	The PRC	RMB23,000,000	RMB23,000,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Liaoning Lexing (Note d) 遼寧樂興醫藥有限公司	The PRC	RMB31,000,000	RMB31,000,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Guangzhou Junhe Huilian Supply Chain Management Co., Ltd. (Note d) 廣州君合慧聯供應鏈管理有限公司	The PRC	RMB473,398,631	RMB494,000,000	100%	100%	100%	[100%]	Investment holding
Xi'an Leying Zhongkang pharmaceutical chain Co., Ltd. (Note d) 西安樂盈眾康醫藥連鎖有限公司 (formerly known as Shanxi Yiyi Pharmaceutical Co., Ltd. 陝西一意醫藥有限公司	The PRC	RMB28,000,000	RMB28,000,000	100%	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
YSB Investment Limited (Note a) 藥師幫投資有限公司	Hong Kong	USD166,299,980	N/A	100%	100%	100%	[100%]	Investment holding
Guangzhou Sudaoyi (Note c) 廣州速道易信息科技有限公司	The PRC	RMB1,120,246,702	RMB1,122,890,000	100%	100%	100%	[100%]	Platform and software service

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES—continued

Name of subsidiaries	Place of incorporation /registration /operations	Paid up/ issued capital	Registered capital	Proportion ownership interest attributable by the Company As at 31 December 2020	2021	2022	Date of the report	Principal activities
Guangzhou Sudaoyi Business Service Co., Ltd. (Note c) 廣州速道易商務服務有限公司	The PRC	nil	RMB1,000,000	100%	100%	100%	[100%]	Platform and software service
Guangzhou Yaoshibang Network Technology Co., Ltd. (Notes d & f) 廣州藥師幫網絡科技有限公司	The PRC	RMB2,000,000	RMB2,000,000	100%	100%	0%	[0%]	Platform and software service
Hainan Yaoshibang Information Technology Co., Ltd. (Notes d & e) 海南藥師幫信息科技有限公司	The PRC	nil	RMB1,000,000	100%	100%	0%	[0%]	Platform and software service
Beijing Yaoshibang Network Technology Co., Ltd. (Notes d & f) 北京藥師幫網絡科技有限公司	The PRC	nil	RMB100,000	100%	100%	0%	[0%]	Platform and software service
Henan Subiao Information Technology Co., Ltd. (Note d) 河南速標信息科技有限公司	The PRC	nil	RMB1,000,000	100%	100%	100%	[100%]	Platform and software service
Hainan Sudao Information Technology Co., Ltd. (Notes d & e) 海南速道信息科技有限公司	The PRC	nil	RMB1,000,000	100%	100%	0%	[0%]	Platform and software service
Leyou Investment Limited (Note a)	Hong Kong	USD204,830,000	N/A	100%	100%	100%	[100%]	Investment holding
Guangzhou Yaobang* (Note d) 廣州藥幫信息科技有限公司	The PRC	nil	RMB1,000,000	0%	0%	0%	[0%]	Platform and software service
Guangzhou Sudao* (Note c) 廣州速道信息科技有限公司	The PRC	RMB9,818,877	RMB9,818,877	0%	0%	0%	[0%]	Platform and software service
Dongguan Dalingshan Jianhui Comprehensive Clinic Co., Ltd. (Notes d & f) 東莞市大嶺山健惠綜合門診有限公司	The PRC	nil	RMB1,000,000	N/A	100%	0%	[0%]	Healthy inspection

* The Group obtained control over these entities through Contractual Arrangements as set out in Note 5.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES—continued

Name of subsidiaries	Place of incorporation /registration /operations	Paid up/ issued capital	Registered capital	Proportion ownership interest attributable by the Company As at 31 December 2020	2021	2022	Date of the report	Principal activities
Hebei Zeyi Pharmaceutical Co., Ltd. (Note d) 河北澤怡醫藥有限公司	The PRC	RMB15,000,000	RMB15,000,000	N/A	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Zhejiang Leyao Pharmaceutical Co., Ltd. (Note c & d) 浙江樂藥醫藥有限公司	The PRC	RMB45,000,000	RMB45,000,000	N/A	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Hunan Leyao Pharmaceutical Co., Ltd. (Note d) 湖南樂藥醫藥有限公司	The PRC	RMB25,000,000	RMB25,000,000	N/A	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
Henan Huiying Pharmaceutical Co., Ltd. (Note c & d) 河南惠盈医药有限公司	The PRC	RMB70,000,000	RMB70,000,000	N/A	100%	100%	[100%]	Wholesale of pharmaceutical and healthcare products
YSB Technology Limited (Note b)	The British Virgin Islands	nil	N/A	N/A	100%	100%	[100%]	Investment holding
YSB Technology (Hong Kong) Limited (Note a)	Hong Kong	nil	N/A	N/A	100%	100%	[100%]	Investment holding
YSB Health Limited (Note a)	Hong Kong	nil	N/A	N/A	100%	100%	[100%]	Investment holding
Guangzhou Yuewei (Note d) 廣州閱微醫學檢驗所有限公司	The PRC	RMB7,000,000	RMB10,000,000	N/A	100%	100%	[100%]	Medical testing services
Tianjin Yaoshibang Comprehensive Clinic Co., Ltd. (Notes d & f) 天津藥師幫綜合門診有限公司	The PRC	nil	RMB5,000,000	N/A	100%	0%	[0%]	Medical testing services
Guangzhou Xiaoweicang Smart Drug Store Technology Co., Ltd. (Note d) 廣州小微倉智能藥店科技有限公司	The PRC	nil	RMB1,000,000	N/A	70%	70%	[70%]	Intelligent Pharmacy services
Guangzhou Linyaohui Information Technology Co., Ltd. (Note d) 廣州鄰藥匯信息科技有限公司	The PRC	nil	USD1,000,000	N/A	100%	100%	[100%]	Investment holding
Guangzhou Guangpu Health Technology Co., Ltd. (Note d) 廣州光譜健康科技有限公司	The PRC	nil	RMB1,000,000	N/A	70%	70%	[70%]	Medical testing services

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES—continued

Name of subsidiaries	Place of incorporation /registration /operations	Paid up/ issued capital	Registered capital	Proportion ownership interest attributable by the Company As at 31 December 2020	2021	2022	Date of the report	Principal activities
Guangzhou Sudaoyi Project Management Consulting Co., Ltd. (Note d) 廣州速道易項目管理顧問有限公司	The PRC	nil	RMB100,000	N/A	100%	100%	[100%]	Investment holding
Guangzhou Sudaoyi Enterprise Management Consulting Co, Ltd. (Note d) 廣州速道易企業管理顧問有限公司	The PRC	nil	RMB100,000	N/A	100%	100%	[100%]	Investment holding
Guangzhou Sudao Buiness Conculting Co., Ltd. (Note d) 廣州速道商務諮詢有限公司	The PRC	nil	USD50,000	N/A	100%	100%	[100%]	Investment holding
Jiangxi Leyao Pharmaceutical Co., Ltd. (Note d) 江西樂藥醫藥有限公司	The PRC	RMB10,000,000	RMB10,000,000	N/A	N/A	100%	[100%]	Wholesale of pharmaceutical and healthcare products

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES—continued

Notes:

(a) No statutory audited financial statements for these companies have been prepared since their incorporation.

(b) No statutory financial statements have been prepared for this company as it was not subject to statutory audit requirements under the relevant rules and regulations for the jurisdiction of incorporation and establishment.

(c) The statutory financial statements of these subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC. The statutory financial statements for the years ended 31 December 2020, 2021 and [2022] were audited by the following certified public accountants registered in the PRC:

Subsidiaries	**Year ended 31 December 2020**
Hubei Chengweishang Pharmaceutical Co., Ltd.	湖北華豐會計師事務所有限公司
Guangdong Dongjian	大信會計師事務所（特殊普通合夥）南沙自貿區分所
Guangdong Jiuzhang	大信會計師事務所（特殊普通合夥）南沙自貿區分所
Guangzhou Sudaoyi	大信會計師事務所（特殊普通合夥）南沙自貿區分所
Guangzhou Sudao	大信會計師事務所（特殊普通合夥）南沙自貿區分所
Guangzhou Sudaoyi Business Service Co., Ltd.	大信會計師事務所（特殊普通合夥）南沙自貿區分所
Zhejiang Leyao Pharmaceutical Co., Ltd.	浙江中健會計師事務所（普通合夥）

Subsidiaries	**Year ended 31 December 2021**
Guangdong Dongjian	大信會計師事務所（特殊普通合夥）南沙自貿區分所
Guangdong Dihao	大信會計師事務所（特殊普通合夥）南沙自貿區分所
Henan Huiying Pharmaceutical Co., Ltd.	河南謙益會計師事務所（普通合夥）
Guangdong Jiuzhang Pharmaceutical Co., Ltd.	大信會計師事務所（特殊普通合夥）南沙自貿區分所
Guangzhou Sudaoyi Business Service Co., Ltd.	大信會計師事務所（特殊普通合夥）南沙自貿區分所
Guangzhou Sudao	大信會計師事務所（特殊普通合夥）南沙自貿區分所
Guangzhou Sudaoyi	大信會計師事務所（特殊普通合夥）南沙自貿區分所

(d) No audited statutory financial statements have been prepared for the subsidiaries incorporated in the PRC listed above, since there are no statutory audit requirement.

(e) Hainan Yaoshibang Information Technology Co., Ltd. and Hainan Sudao Information Technology Co., Ltd. have been liquidated on 24 February 2022 and 22 February 2022, respectively.

(f) Guangzhou Yaoshibang Network Technology Co., Ltd., Beijing Yaoshibang Network Technology Co., Ltd., Dongguan Dalingshan Jianhui Comprehensive Clinic Co., Ltd., Tianjin Yaoshibang Comprehensive Clinic Co., Ltd. and Shandong Leyao Pharmaceutical Co., Ltd. have been disposed to an independent third party with a total gain of RMB1,344,000 on 8 April 2022, 6 April 2022, 28 March 2022, 1 April 2022 and 9 October 2022, respectively.

The above table lists the subsidiaries and consolidated affiliated entities of the Company that the directors of the Company believe to principally affect the results or assets of the Group. In the opinion of the directors of the Company, to give details of other subsidiaries would, result in particulars of excessive length.

The voting power of the subsidiaries and consolidated affiliated entities held by the Company are same with the ownership interest held by the Company.

None of the subsidiaries and consolidated affiliated entities had issued any debt securities during the Track Record Period.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

41. DEFICITS OF THE COMPANY

	Share-based payments reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2020	—	(1,093,623)	(1,093,623)
Loss and other comprehensive expense for the year	—	(294,697)	(294,697)
At 31 December 2020	—	(1,388,320)	(1,388,320)
Loss and other comprehensive expense for the year	—	(169,207)	(169,207)
Recognition of equity-settled share-based payments	24,362	—	24,362
Transfer forfeited equity-settled share based payments to accumulated losses	(322)	322	—
At 31 December 2021	24,040	(1,557,205)	(1,533,165)
Loss and other comprehensive expense for the year	—	(1,368,675)	(1,368,675)
Recognition of equity-settled share-based payments	38,817	—	38,817
Transfer forfeited equity-settled share-based payments to accumulated losses	(3,683)	3,683	—
At 31 December 2022	59,174	(2,922,197)	(2,863,023)

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2022.

43. SUBSEQUENT EVENTS

On [●], the shareholders of the Company passed set of resolutions to approve the below matter set out in the paragraph headed "Resolutions of our Shareholders dated [●]" in Appendix IV to the **[REDACTED]**. It was resolved, among other things, immediately following the share subdivision, each of the 5,000,000,000 authorised (whether issued or unissued) shares of par value of US$0.00001 each be subdivided into four shares with a par value of US$0.0000025 each ("Share Subdivision").

[Save as disclosed above, there have been no other material subsequent events identified subsequent to 31 December 2022.]